

Program Budget Narratives

General Support for Local Schools

Mission

To provide for and advance a free and world-class education for all of Indiana's children through financial support of local schools.

Summary of Activities

Most operating funding for local schools is distributed on a per-student basis through the state tuition support formula, which also sets local property tax rates for school general fund property tax levies. During the current biennium some 85% of all formula funding for local schools will come from the state, comprising the largest single item in the state budget.

In 2002-03 state funding allowed the state's 293 school corporations and eleven charter schools to provide educational programs to almost one million students. More than twelve thousand school buses are used to transport students to public schools on a daily basis; they amassed more than 86 million route miles in the 2002-03 school year. Other state programs provide the funds by which schools meet federal and state mandates for desegregation, provide low-income students with reimbursement for textbook fees, and defray the costs of capital projects.

State funds help maintain 1,985 school buildings in a safe and healthful condition, and provide salary and benefits for 59,560 full-time teachers, 9,984 administrators, 18,705 instructional support personnel, and 38,277 non-certified personnel. State support also helps the Teachers' Retirement Fund pay the retirement benefits of over 35,000 retired teachers.



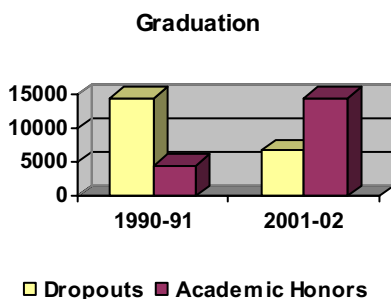
Dr. Suellen Reed
Superintendent of
Public Instruction

External Factors

The cost of public education is in large part a function of the number of students who enroll in school each year. In Indiana, that number continues to climb — the state has experienced enrollment growth of almost 4.5 percent over the past ten years. Projections indicate that enrollment will rise by 15,000 students over the next five years. Transportation costs have risen by \$101 per pupil from 1997 to 2002. Public demands and expectations of Indiana's public education system continue to increase yearly.

Evaluation and Accomplishments

All Hoosier students are expected to meet rigorous yet attainable academic standards. Improvements in academic results during the past biennium have been significant. Attendance and graduation rates are at an all-time high—95.9 and 91.1 percent in 2001-02, respectively. Expectations have been raised and have resulted in an increase in the number of graduates following the "Core 40" college preparatory curriculum, from 13,956 in 1998 (the first year Core 40 diplomas were available) to 18,314 in 2002—a four-year gain of 32 percent.



The number of Academic Honors Diploma recipients has increased from 4,636 in 1991 to 14,574 in 2002—a gain of 314 percent over twelve years. During the same time frame, dropouts have declined from 14,581 to 6,714, a decrease of 217 percent. The state's ACT scores continue to be above the national average (In 2001 the state average was 21.4 compared to a national average of 21.0), and average SAT scores have increased 13 points since 1995-96, while the national average rose only seven points.

Plans for the Biennium

The Department of Education has two primary objectives for the biennium. One is to meet the mandates of Indiana law in regard to standards, assessment, and accountability; the second primary objective is to meet the requirements of the federal No Child Left Behind (NCLB) Act. The Education Roundtable is currently formulating a preschool through grade sixteen plan, referred to as the P-16 plan, which will reflect educational direction for all Indiana youth from preschool through the completion of the Baccalaureate



Degree.
The P-16 plan

includes comprehensive standards, assessment, and accountability requirements. Following its adoption by the State Board of Education, the Department, in conjunction with the Commission for Higher Education, will implement this plan. The Department continues to develop, refine, and distribute standards for all K-12 content areas. With the development and implementation of the statewide Student Test Number (STN), the Department will be able to disaggregate student data, including both achievement and demographic characteristics, on a school building basis to meet the requirements of NCLB.

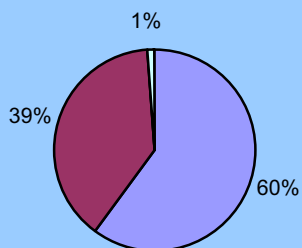


Program: 0000

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$3,299,649,035	\$3,156,184,039	\$3,437,548,327	\$3,394,234,873	\$3,434,062,665

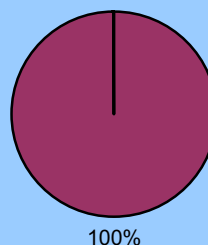
**Sources of Funds
FY 2004 (Approp)**

☐ General
 ☐ Dedicated
 ☐ Federal
 ☐ Other



**Uses of Funds
FY 2004 (Approp)**

☐ Personal Services
 ☐ Distributions
 ☐ Capital
 ☐ Other



Targeted Support for Local Schools

Mission

To provide students, parents, and school corporations with specific assistance to ensure that children and schools with particular educational needs and circumstances have the opportunity for success in education.

Summary of Activities

The state provides funding for a number of programs that target students having specific additional educational needs. These include programs for English language learners, summer school, gifted and talented, early intervention, technology, and ISTEP+ remediation.

State appropriations allow for testing all students in Grades 3, 6, 8 and 10 to ensure progress toward mastery of the Indiana academic standards in English/language arts and mathematics. During the 2003-04 school year, the ISTEP+ program will include science testing of Grade 5 students and will also include pilot testing for Grades 4, 5, 7 and 9 in English/language arts and mathematics. During the 2004-05 school year, the English/language arts and mathematics exams will be administered to all students in Grades 3-10. Annual testing will ensure compliance with P.L. 221 and the No Child Left Behind Act.

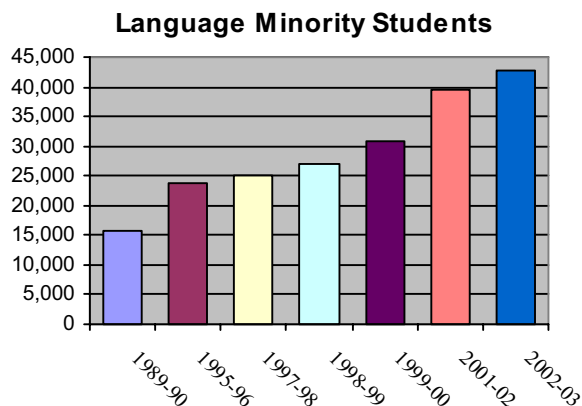


Assessment results have enabled the Department and policymakers to disaggregate performance data and evaluate the student achievement gap that exists in Indiana. One area where an achievement gap exists is with the growing population of language minority students throughout the state. More than 35 percent of those students who identify their ethnicity as Hispanic have been identified as having limited English proficiency, making Spanish speaking students the largest group of those identified as language minority students. The current state budget includes \$700,000 for each year of the biennium to help these students improve their English skills.

The Early Intervention program will provide \$3.7 million to eligible schools to establish and/or continue evidence-based early literacy intervention programs for students in pre-kindergarten through Grade 2. Since the creation of this grant in 1997, the program has provided professional development and literacy training for thousands of teachers and research-based programs for thousands of students.

Based on a recent resolution passed by the Indiana State Board of Education concerning mathematics standards for the Graduation Qualifying Examination (GQE), summer school mathematics classes necessary to prepare students for the 2004 GQE will receive priority funding in 2003 and 2004. These classes will be reimbursed at 100 percent of cost before funds are allocated to other classes.

For the 2001-02 school year, school corporations received an 83.5 percent reimbursement from the state for textbook expenses incurred for students who qualify for the federal free- and reduced-price meals program. Based on appropriations for the current biennium, a similar reimbursement rate should be available to school corporations.



The annual appropriation of \$5.8 million for the Gifted and Talented Grant will support school corporations in the development of local programs for high ability students. The funds will also support integrated services such as information resource centers and professional development.

The Technology Plan Grant Program appropriation will enable those school corporations with the lowest property tax wealth, and the least ability to use Capital Projects Fund dollars, to sustain and replenish their technology infrastructure. Approximately 50 districts will receive funding over the biennium to invest in computer hardware, software, connectivity and wiring.

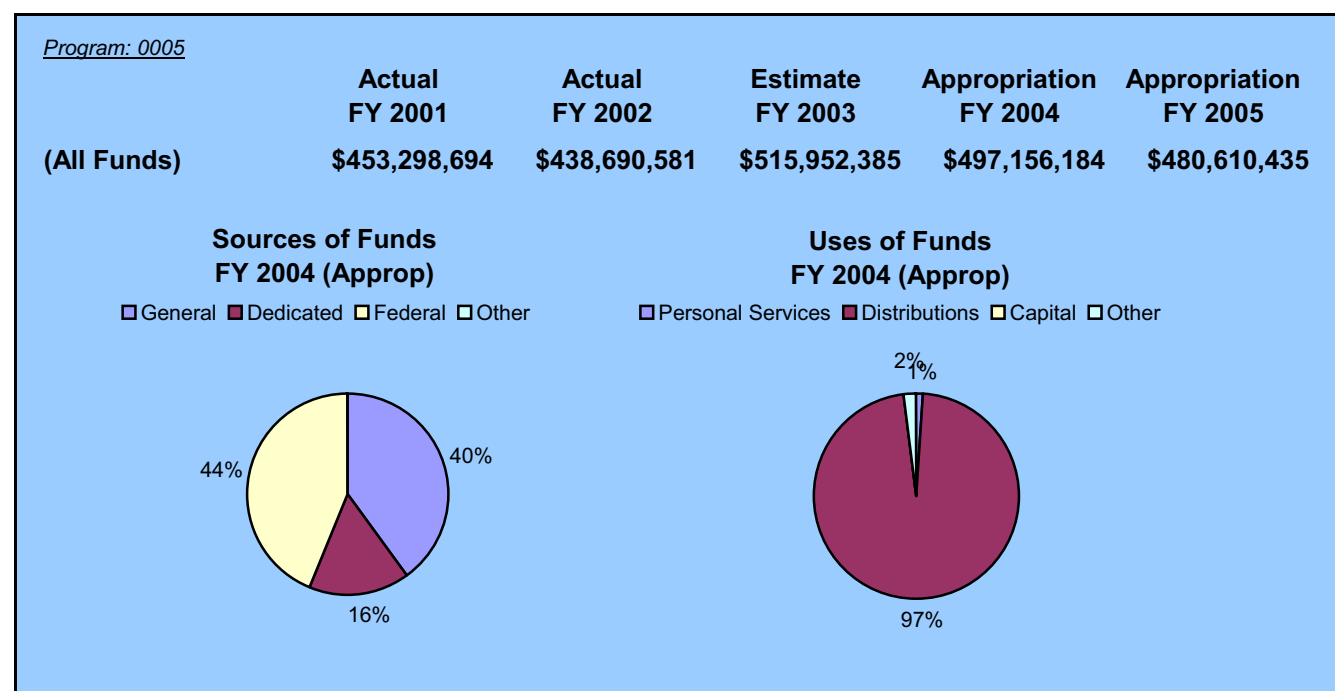
External Factors

Local schools serve students who are at risk of academic failure due to a variety of factors, all of which require different support services. As these conditions change, the need for targeted support changes as well. For example, Indiana has recently experienced an increase in the number of residents originating from foreign countries. From 1989-90 to 2002-03 the number of English language minority students in Indiana has nearly tripled, from 15,769 students to 42,600. The number of Limited English Proficient (LEP) students has quadrupled during that same time period. Today more than 200 native languages are spoken in Indiana schools.



Evaluation and Accomplishments

In 1997, when the Class of 2000 first took the Graduation Qualifying Exam (GQE), 54 percent passed both parts of the test. At the end of the 1999-00 school year, after the expenditure of remediation dollars targeted toward this class, 86 percent had passed the GQE – a 69 percent increase. Similar results are evident for the classes of 2001 and 2002. Some 60,000 students have benefited from funding for the non-English speaking program, resulting in increased knowledge of English and opportunities for future success. Through the Early Intervention Grant, nearly 1,000 teachers have been trained to be reading recovery specialists for first graders. During the 2003-05 biennium more than 20,000 preschool through Grade 2 students will be assisted with their reading through targeted intervention and literacy programs.



Education for Special Populations

Mission

To provide specific educational services to students with disabilities and students who are hospitalized, neglected, delinquent, and/or homeless, to give them the best possible opportunities to live, learn, work, and play in their communities.

Summary of Activities

Education services for special populations are provided by the state in two ways: through additional funding to local school corporations, and through the maintenance of special residential facilities.

State tuition support grants from the **Department of Education** (DOE) provide the bulk of state special education funding, through a formula that generates dollars based on the nature of each student's disability. Funding for special populations also provides for the administration of the federal Individuals with Disabilities Education Act (IDEA); provides educational support for children hospitalized in Riley Children's Hospital; provides wrap-around services to connect children to medical, social, and mental health services in their local communities; provides funding for the special transportation needs of students with disabilities. Grants are also made available to schools to serve gifted and talented students. At the local level, the funds are used to provide many services including audiology, occupational therapy, physical therapy, and school health services. Such services supplement regular classroom instruction.



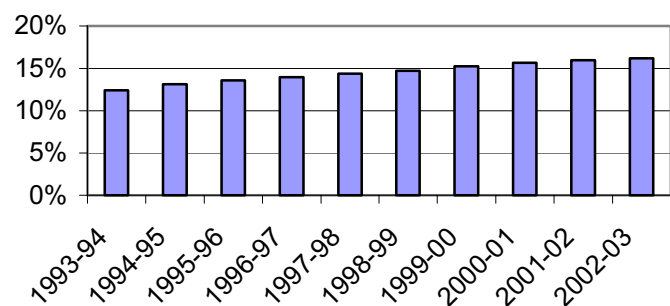
Indiana Soldiers' and Sailors' Children's Home

Indiana maintains a **School for the Deaf** and a **School for the Blind**; both are full-service residential facilities located in Indianapolis. In addition to their residential programs, both schools also provide outreach services to local school corporations to assist in educating other students with disabilities related to vision and audiology. The **Soldiers' and Sailors' Children's Home** in Knightstown is a residential facility providing full K-12 education services, health services and recreation for at-risk children placed in the facility by their parents, guardians, or a juvenile court. The **Silvercrest Children's Development Center**

is a short-term residential center in New Albany that provides full K-12 education services for children with severe emotional and behavioral disorders who have generally exhausted the resources of their local public schools and community and are excluded from mainstream education.

The Department of Correction also provides full K-12 educational services for adjudicated juveniles; however, the funding for these services is included in the Juvenile Corrections program.

Incidence of Special Education Students in Total School Population



External Factors

The most significant factors affecting services for special populations are the growing number of students identified as needing special education services, the ever-evolving needs of students, and federal legislation. The reauthorization of IDEA and the No Child Left behind Act are two examples of such legislation. New brain research, new teaching methodologies, and new instructional practice, including the mandate for alternative assessment systems, have driven change in serving students with special education needs.

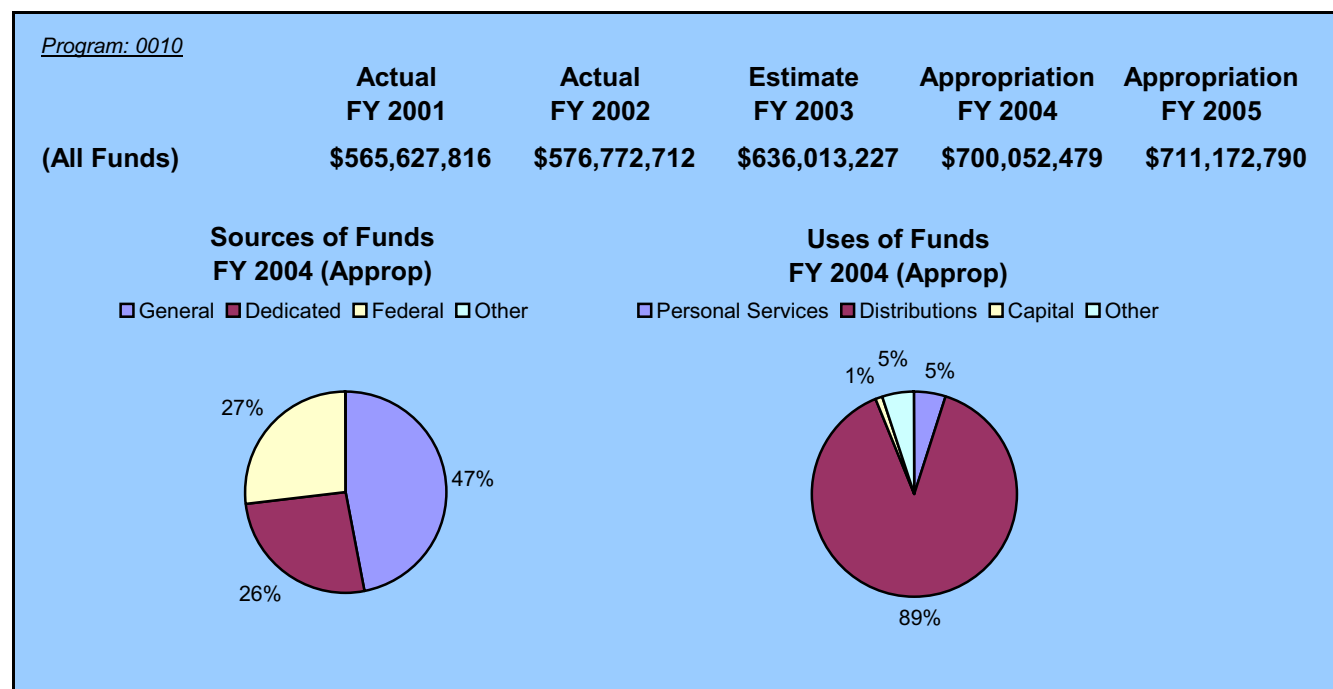
Evaluation and Accomplishments

The DOE has provided clear-cut procedures for providing the least restrictive educational environment for students with disabilities through wrap-around services available to children in the communities in which they live. This has allowed schools to serve more children more appropriately and closer to home, while creating the infrastructure for services and creating new taxpayers. This is evidenced by the 2001-02 Post-School Follow-up Study (completed June 2003), in which 72.4 percent of the respondents, all of whom had received special education services, were employed four years after graduation. In addition, Indiana participated in a nationwide comprehensive study of special education spending. The DOE is able to determine average special education and general education expenditures per student receiving special education, and how those expenditures vary by type of student, school, placement, and district.



Plans for the Biennium

The DOE is implementing, as required by IDEA and No Child Left Behind, alternate assessments for students with disabilities for whom ISTEP+ is not appropriate. The assessment measures students' skills along a continuum of academic standards. Individualized education programs (IEPs) are written for all students who qualify for special education services. An IEP identifies the student's disability and needs, describes annual goals to address those needs, and identifies the services to be provided to help the student achieve the goals. The DOE provides model IEP forms, as well as guidelines for developing IEPs, to local schools to help ensure that all students are exposed to academic standards that will best serve them when they leave their K-12 educational experiences to live, learn, work and play in their local communities.



Vocational Education

Mission

To provide Hoosiers with lifelong learning opportunities that prepare them for further education and employment in high skill, high wage careers.

Summary of Activities

Vocational education in Indiana is provided through a comprehensive system of education, training, and employment. School corporations, area vocational schools and postsecondary institutions comprise the public vocational and technical education system that prepares youth and adults to enter and advance in the workforce. The Indiana Commission on Vocational and Technical Education (ICVTE) has responsibility for setting policy and developing and overseeing a long-range state plan for vocational and technical education, which is implemented by the **Department of Workforce Development (DWD)** and the **Department of Education (DOE)**. ICVTE has approved *A Strategy for Building a World-Class System of Vocational and Technical Education in Indiana*. This plan gives direction to the state in the preparation of the workforce through Indiana's public delivery system for vocational and technical education.



State funds are distributed to local schools through the school tuition support appropriation, with schools receiving funding based on vocational course offerings and enrollment. The DWD distributes federal vocational education funds under the Carl D. Perkins Vocational and Technical Education Act and has provided competitive grants for federal Technical Preparation (Tech Prep) programs through the Indiana Career Majors Initiative. The DOE Office of Career and Technical Education provides support to workforce development initiatives such as Tech Prep programs, technology-based instructional programs, and partnerships with local businesses that provide work-based learning opportunities for students planning to enter the workforce directly after high school and for those interested in pursuing further education and training programs.

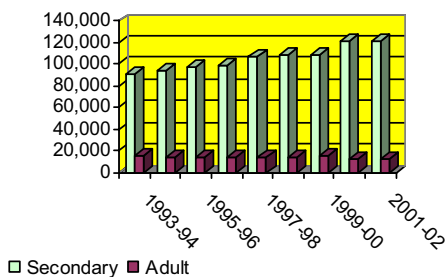
External Factors

Technological advances in the workplace and increasing educational requirements present constantly changing goals and expectations for Indiana students. These advances require frequent updates to vocational education curriculum and classroom strategies. The workplace demands more today than a strong back and a good work ethic—it demands critical thinkers capable of applying technical knowledge.

Evaluation and Accomplishments

During the 2001-02 school year, 40 percent of all Indiana high school students enrolled in one or more vocational courses. Eighty percent of secondary technical and vocational students passed the ISTEP+ Graduation Qualifying Exam and almost ninety percent attained a high school diploma or its recognized equivalent. Content standards, which integrate Indiana's academic standards for English/ language arts, mathematics, science and social studies, have been developed for the majority of vocational courses.

Vocational Education Enrollment



Indiana is actively involved in Project Lead the Way, a national standards-based pre-engineering curriculum that has been introduced in 40 high schools around the state.

A follow-up study of metalworking students revealed that those with Certificates of Technical Achievement – portable, updatable professional certifications developed collaboratively by the DWD, employers, and educators – earned on average 26 percent more per hour than those students who did not receive Certificates.

Plans for the Biennium

Four strategies provide the framework for the Five-Year State Plan for Vocational and Technical Education over the period from July 1, 1999 through June 30, 2004:

- Provide career awareness and career preparation for all learners.
- Develop, implement and utilize state-recognized skill standards and other approved systems of certification.
- Provide professional and curricular development, including:
 - Teaching the way students learn;
 - Integrating occupational, employability and academic skills based on business and industry identified skill standards;
 - Reducing gender bias and stereotyping;
- Provide a quality improvement system for vocational and technical education.



The number of schools offering vocational programs in a career academy/career major design will be expanded. These academies include career areas in Information Technology, Finance, Advanced Manufacturing, Health Sciences, and Hotel/Lodging Management. Activities are also planned to ensure that more students take and pass industry exams leading to national certificates recognized and valued by high skill/high wage industries.

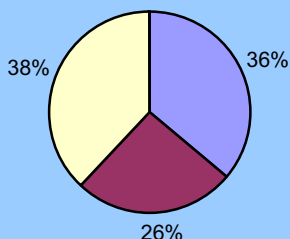
As a part of our involvement in Project Lead the Way, Indiana has entered into a national partnership to develop a new pre-engineering course in Biotechnology. Indiana will host the national curriculum development team and relationships are being forged with the state's postsecondary biomedical/biotechnology programs as well as businesses and industries involved in Indiana's life sciences initiatives.

Program: 0015

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$106,494,869	\$105,129,192	\$112,188,634	\$121,142,942	\$125,263,426

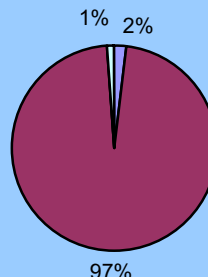
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



K-12 Quality Improvement

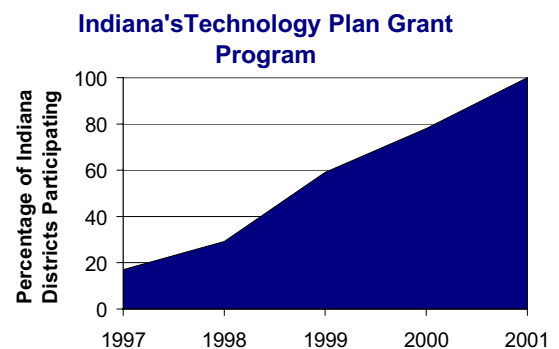
Mission

To enhance the professional skills of Indiana's teachers and administrators so that they can provide the best possible instruction to Indiana's students, while utilizing research-based programs and strategies that apply the most up-to-date technological advances effectively and efficiently.

Summary of Activities

Education quality improvement programs administered by the **Department of Education** (DOE) for local schools include the following:

- Professional development grants totaling \$13.5 million were distributed to every public school building to support the learning goals identified in the P.L. 221 school improvement plans.
- Reading First grants were provided to 21 school corporations. Reading First focuses on enabling all students to become successful early readers by providing K-3 teachers with the skills needed to teach effectively using programs, strategies, and materials that meet scientifically based research criteria.
- The Indiana Principals Leadership Academy has increased its efforts to provide essential training to school leaders with more of a focus on teaching and learning. A coaching component has been added to provide more support and technical assistance to Indiana school administrators.
- The Indiana School Safety Specialist Academy (ISSSA) provided certification training for representatives of all 293 school districts in Indiana. Since its inauguration the Academy has certified 663 school safety specialists, providing a total of 39 days of training. During 2001-03 a total of 1,454 school personnel attended eight advanced and five basic training sessions.
- Technical assistance grants were provided to schools that had less than the highest level of accreditation. A total of 19 schools received grants during the 2001-02 school year and 12 schools during the 2002-03 school year.
- During 2001-03, more than 900 Indiana school administrators participated in IndianaNEXT – an individualized 5-day professional development program designed to help public and private school leaders learn to utilize technology to meet the requirements of P.L. 221 and the No Child Left Behind Act.
- Indiana's Reading Excellence Action Demonstration (I-READ) program for K-3 students in low achieving, high poverty schools provided a 4-day Summer Institute Retreat for 500 teachers and administrators from 88 schools.



The Indiana Department of Education continues to collaborate with the Indiana Writing Network to provide a program of professional development for K-12 teachers. Since 1986 this collaboration has trained approximately 10,000 Indiana teachers in effective strategies for teaching writing.

External Factors

Several factors are driving professional development activities: the requirements of P.L. 221, the No Child Left Behind Act; the Education Roundtable's P-16 initiative; and the focus on closing the academic achievement gap.

No Child Left Behind requires that all teachers of core academic subjects be "highly qualified" by the end of the 2005-06 school year. In addition, it places academic requirements on all teachers' aides and paraprofessionals.

Evaluation and Accomplishments

The School Safety Specialist Academy was one of four exemplary state school safety programs highlighted by the U.S. Department of Education at a 2002 national meeting.

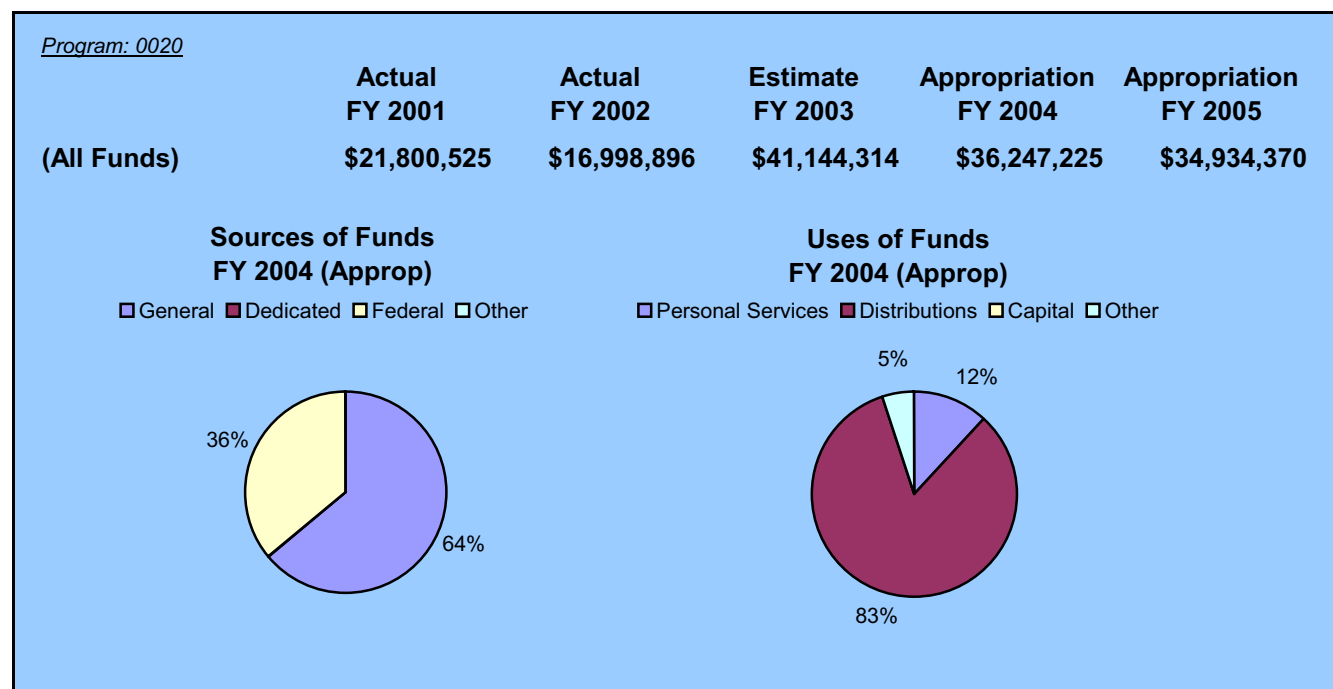
A \$1.8 million Coordinated School Health grant from the Centers for Disease Control and Prevention was awarded to the Indiana Department of Education. The five-year grant to develop an infrastructure involves collaboration with the Indiana State Department of Health. The two agencies will provide technical assistance and training to assist local school and community coordination for health programs.

Indiana Reading Assessments target skills from three of the Academic Standards for Reading. They focus on: 1) Word Recognition, Fluency, and Vocabulary Development; 2) Reading Comprehension; and 3) Literary Response and Analysis. More than 1,100 schools administered the assessments in the 2002-03 school year to 70,883 first grade students and 61,747 second graders. Program participation is voluntary, so this number of schools and assessments is a distinct accomplishment.

Plans for the Biennium

Technical assistance will be offered to prepare school corporations for online assessments. The Department's professional development efforts will focus on training Algebra teachers and providing assistance to low performing schools.

Beginning in the fall of 2004, students in grades 4, 5, 7, & 9 will take ISTEP+ tests in English/language arts and mathematics. These new tests meet the additional assessment requirements of No Child Left Behind and PL 221.



K-12 Evaluation

Mission

To provide feedback to parents, educators, and policymakers on the quality of educational services being provided to students, to provide research-based direction to state policymakers, and to provide clear directives to local school officials on where their efforts are increasing the academic achievement of students as well as where they must improve.

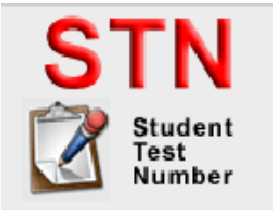
Summary of Activities



The most prominent component of K-12 Evaluation is Indiana’s large-scale assessment program, Indiana Statewide Testing for Educational Progress-Plus (ISTEP+). Administered by the **Department of Education** (DOE) and local schools, the ISTEP+ assessments provide the basis for program evaluation

through the identification of strengths and weaknesses in meeting Indiana’s academic standards. This identification occurs at the student, school, corporation, and state levels, and provides the basis for Indiana’s Performance-Based Accreditation (PBA) system. During this biennium, evaluation has focused on the shift from the PBA system to the accountability system under P.L. 221.

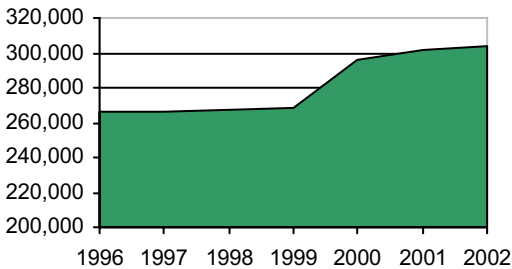
The most significant effort has been the successful startup of the Student Test Number (STN) system. This system provides the necessary foundation to accurately report on the achievement of students served by Indiana schools as is required by both P.L. 221 and the No Child Left Behind Act. The STN system begins a fundamental change in how information will be collected from schools. The 2002-03 school year was the first year of a four-year conversion of all state reports. This major effort will consolidate the department’s data collection efforts and eliminate duplicative data collections.



Student Test Numbers have allowed Indiana schools to use pre-printed identification labels on ISTEP+ tests, a change that virtually eliminates the need to “bubble” student information.

This innovation dramatically increased the accuracy of the student data and the speed with which tests could be processed.

Number of Students Tested Through the State ISTEP+ Program



External Factors

The demand for high standards and accountability has increased the use and scrutiny of large-scale assessment programs. High-stakes graduation tests increase the public profile of large-scale assessments as well as the steps that must be taken to develop a test that will withstand legal scrutiny, as Indiana’s Graduation Qualifying Examination (GQE) recently did. At the national level, the No Child Left Behind Act has created an increased demand for large-scale assessment programs that has resulted in demand pushing supply limits. Test publishers struggle to supply and meet the increased demand for quality and timely evaluation programs. In Indiana, the Department of Education strives to offer the most current and effective form of assessments, which include comparisons of Indiana students to students in other states, across the nation (through the National Assessment of Educational Progress or NAEP assessment), and around the world (through the Trends in International Mathematics and Science Study or TIMSS assessment).

Evaluation and Accomplishments

The 2002 Graduation Qualifying Examination (GQE) results were returned prior to Thanksgiving, a 45 percent reduction in turnaround time from the beginning of the GQE program. The testing time for the Grade 3, Grade 6, and Grade 8 ISTEP+ examinations has been reduced by an average of 37 percent.

The Fall 2002 ISTEP examinations for Grades 3, 6, and 8 were the first to assess the Indiana Academic Standards adopted by the Education Roundtable and State Board of Education in 2000. These standards have been widely recognized as being among the best in the nation and represent a new era of higher achievement expectations for Indiana students.

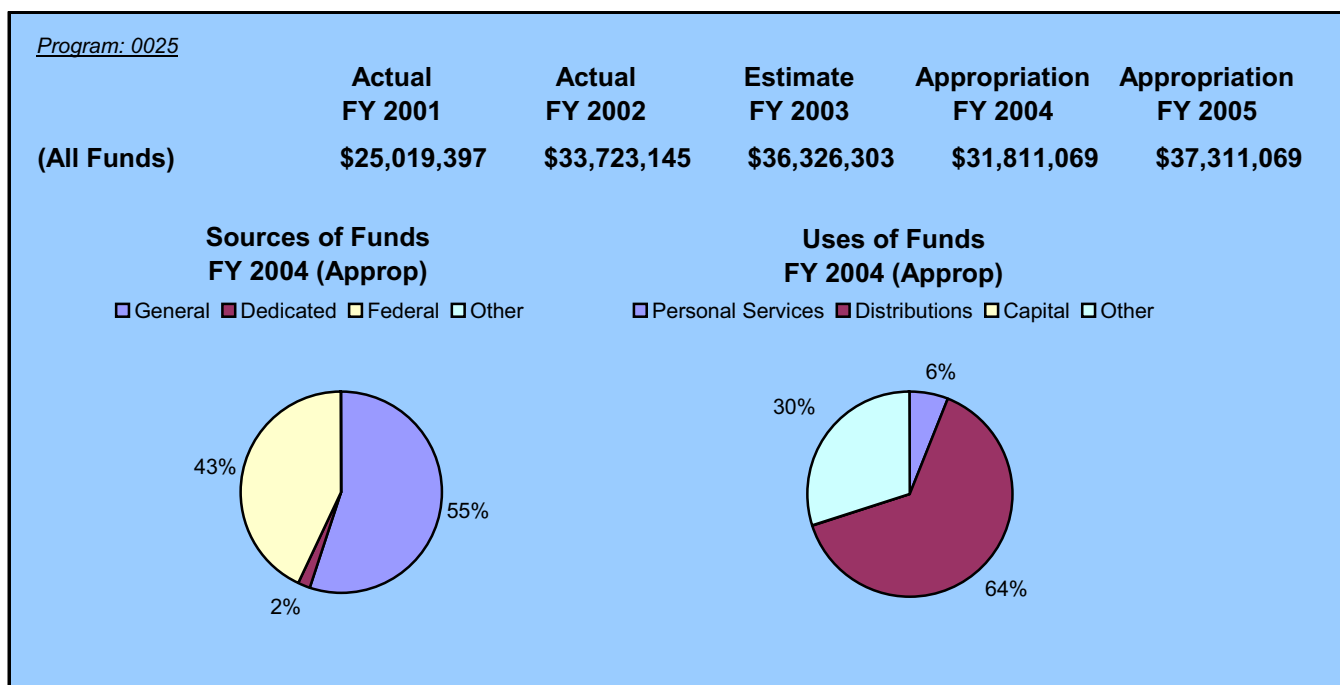
The new tests, as aligned to these higher standards, required the setting of passing scores for both English and mathematics. 144 teachers from across the state worked in a "standard setting" process for three days to recommend both a "PASS" and a "PASS+" level of performance for Indiana's students.



These new scores have been placed on a scale that will allow the direct comparison of student achievement from one year to the next. The "vertical" scale is critical for the implementation of P.L. 221. It will allow the required measurement of student improvement as they move from one grade to the next.

Plans for the Biennium

Item development for the next generation of the GQE will continue in English and mathematics and begin for 7th grade science. Current freshmen (Grade 9) will be the first group of students required to show mastery of the new Indiana Academic Standards as a requirement for earning their high school diploma.



Adult Education

Mission

To provide Indiana's adult population with "learner-centered opportunities" to achieve basic and secondary level academic and life skills that help assure the state's continued economic growth and strength in the global marketplace.

Summary of Activities

Adult education funds support many activities outside of traditional school settings for adults who are at least 16 years of age, not enrolled in school, and who lack a secondary credential or equivalent skills. The state is served by 43 comprehensive programs that provide a wide range of services and are supported by local, state, and federal funds. The comprehensive programs are administered by the **Department of Education (DOE)**, local school corporations, **Vincennes University**, and the **Department of Correction (DOC)**. A total of 80 school corporations receive state funding for their communities. Adult education also collaborates with community colleges, state and local workforce development offices, faith based programs, business and industry, and local correctional facilities. Adult basic and secondary education programs include literacy, English as a second language (ESL), GED preparation, secondary credit completion, and academic upgrading.

The Adult Basic Education program addresses the needs of adult learners from the non-reader to the secondary level student (GED preparation). The funds also support adult students who need additional classes to earn a high school diploma. Students who must pass the Graduation Qualifying Examination (GQE) receive assistance as well. The Even Start program addresses the specific needs of low-income families by implementing early-childhood education, adult education and adult literacy, as well as parenting education. There are 21 local Even Start programs that receive federal, local and limited state funding.

External Factors

One significant external factor is the state unemployment rate. In general, as the unemployment rate decreases, the number of students enrolled in adult education classes typically decreases. Conversely, as the unemployment rate increases, a rise in adult education course enrollment is seen. The state adult education enrollment has increased 8 percent in five years. In the 2001-02 program year, the most recent year for which final figures are available, nearly 40 percent of the enrollees were unemployed. More unemployed, low income, single parents enrolled in adult education than during the previous program year. More than 50 percent of the students served had less than a ninth grade skill level as measured by standardized assessment when they entered the program.

Adult education in Indiana has also been serving a higher percentage of younger individuals. Fifty-eight percent of the 2001-02 enrollees were 16 to 24 years of age. Thirty one percent of the students were 16 to 18 years old.

As the non-English speaking population increases, enrollment in English literacy instruction also increases. The portion of all adult education enrollees receiving English literacy instruction in 2001-02 was 20 percent, compared with 11 percent in the 1996-97 program year. Some employers are requesting assistance in helping their non-English speaking workers learn English. Through a federal incentive grant, an increasing number of programs are offering those services to employers.



Evaluation and Accomplishments

Adult education continues to demonstrate that it is a diverse and successful system. In 2002, 8,791 adults received their GED, many of whom participated in state-supported adult education programs. The passing rate was 77.8 percent, the highest in five years. Nearly one in two of the 44,492 program participants improved their basic skills (by demonstrating a two-grade increase). Of those who had employment as a goal, 56 percent found jobs. Fifty-nine percent of the students received a job promotion by upgrading their skills while 54 percent continued their education at community colleges or enrolled in skill-based training programs. Fifty-three percent of adults enrolled in family literacy programs improved their skills. In addition, 91 percent of children of adults in family literacy programs increased their educational performance while 93 percent increased their level of literacy. Overall, for the third consecutive year, the adult education program met the state's performance measures negotiated with the U.S. Department of Education.



Plans for the Biennium

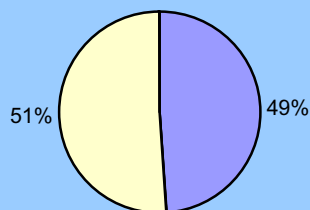
Adult education programs will support eligible adults in their roles as workers, parents, and citizens. Programs will focus on meeting the demand for adult education services in their communities, particularly those related to the workforce, and increasing student outcomes to achieve the state's performance measures under the Adult Education and Family Literacy Act.

Program: 0030

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$26,630,671	\$30,193,132	\$33,120,960	\$30,878,259	\$30,878,259

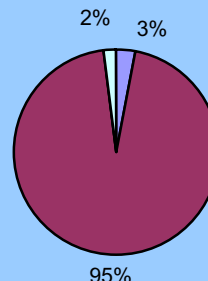
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



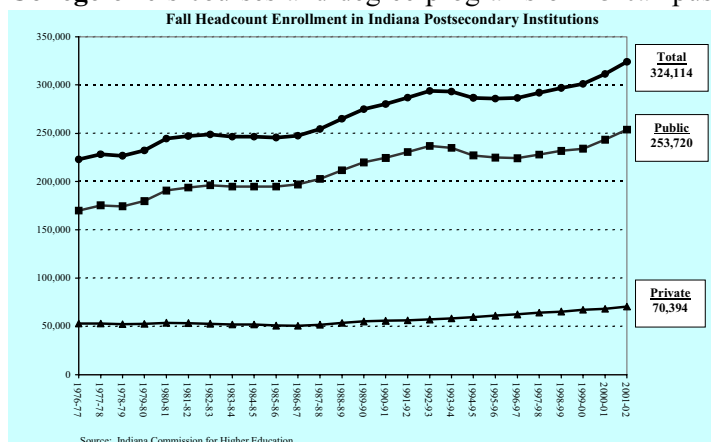
Undergraduate Education

Mission

To provide Indiana residents with the opportunity to enhance their lives through access to a comprehensive, affordable, world-class system of higher education.

Summary of Activities

Indiana has seven public colleges and universities. They include six universities, one of which offers only two-year degrees, and a technical college. **Indiana University** manages seven campuses, including the flagship campus in Bloomington and the joint IU-Purdue campus in Indianapolis. **Purdue University** is Indiana's land grant institution. It manages four campuses, including a joint IU-Purdue campus in Fort Wayne. **Ivy Tech State College** offers courses and degree programs on 23 campuses and at additional instructional centers. **Vincennes University** maintains a branch campus in Jasper and several instructional sites in Indianapolis. The other universities are **Ball State University**, **Indiana State University**, and the **University of Southern Indiana**. Indiana is also home to 32 independent colleges and universities.



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In 2001-02, 304,671 undergraduate students took at least one course for credit at an undergraduate institution. Eighty-nine percent were Hoosiers. Minority enrollment accounted for 12.7 percent of undergraduate enrollment – 8.1 percent African-American and 4.6 percent other minority students.

In 2001-02, the public institutions conferred 22,036 four-year degrees and 7,706 two-year degrees. The three largest fields of undergraduate study at the baccalaureate level were business, education, and health-related programs. At the associate level, the largest fields were health-related and business-related programs.

In 2002-03, average in-state, first-time student tuition and required fees were \$4,778 at the public four-year campuses and \$2,394 at the public two-year campuses.

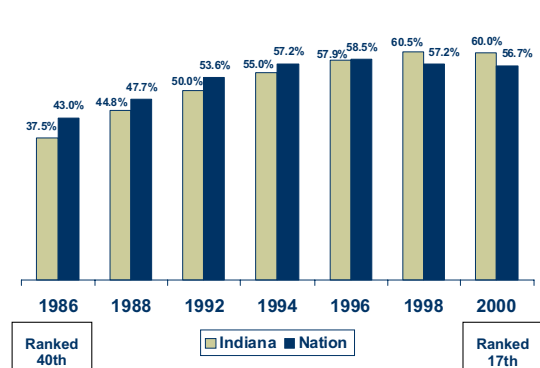
External Factors

Indiana's higher education institutions are responsive to concerns about the state's ability to attract and retain firms that offer high-paying jobs. Members of the state's workforce over the age of 25 rank behind other states in educational attainment. Striving to address this problem and increase educational levels among adults places high demands on Indiana's public colleges and universities. They also face competition from out-of-state institutions that focus on educating at a distance. Finally, demand for particular degree programs does not always live up to expectations. The institutions, along with the Commission for Higher Education, face the problem of deciding when these programs should continue to be offered.

Evaluation and Accomplishments

In 1999, Governor O'Bannon announced a partnership called the Community College of Indiana (CCI). The partnership links Indiana's two-year institutions: Vincennes University and Ivy Tech State College. It will provide a fully transferable Associate of Arts curriculum at each of Ivy Tech's 23 campuses. Each institution will remain separate and independent. The trustees of both institutions support the partnership. CCI began offering classes in four locations in Fall 2000.

Percent of High School Graduates Enrolled the Next Fall in Postsecondary Education



Another milestone has been the continuing collaboration among the institutions to provide distance education opportunities, known as the Indiana Partnership for Statewide Education. The Partnership markets itself to prospective students as the Indiana College Network (ICN). In 2002-03, ICN institutions offered 2,298 undergraduate and 666 graduate credit courses, an increase of 437 percent over 1998-99. Some 75 percent of the 47,980 credit course enrollments in 2001-02 were undergraduates. Special aspects of Partnership activity include support for the CCI initiative (Ivy Tech and Vincennes now account for nearly half of distance education enrollments in the State) and the Indiana State University DegreeLink initiative, which provides distance-delivered baccalaureate completion programs to Ivy Tech and Vincennes University graduates at their “home” locations.

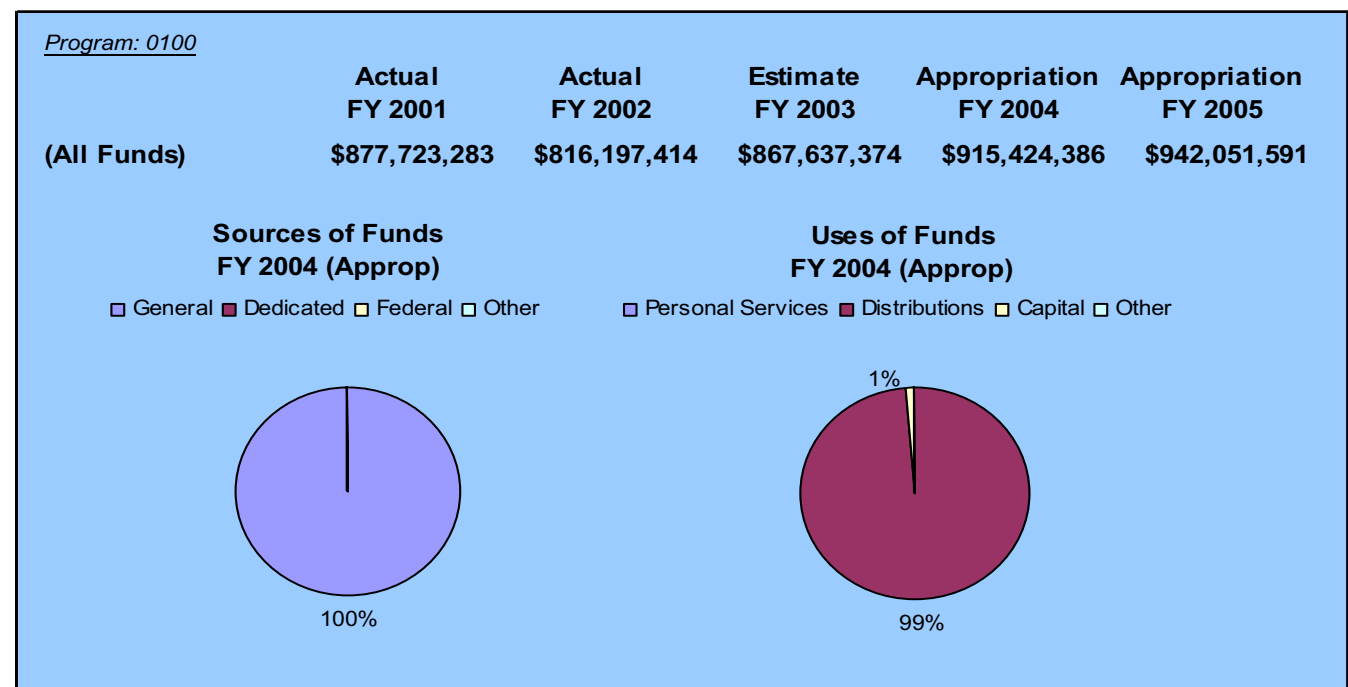


A third milestone has been the emergence of widespread community interest in obtaining better access to post-high school education. Much of this is traceable to local satisfaction with two projects, College Cooperative Southeast and the South Central Indiana Educational Alliance. Each relies on a regional network of community learning centers that bring educational opportunities and student services to geographic areas that are not served by traditional institutions.

Plans for the Biennium

Attention to the implementation of CCI will continue. In April 2000, the Commission for Higher Education approved Vincennes University Associate of Arts and Associate of Science degrees to be offered at the CCI pilot sites. Graduates holding these degrees will be able to transfer credits to public four-year campuses, enrolling with junior status. In addition to the four sites that began offering classes in Fall 2000, six additional sites were added in Fall 2001. The ten current CCI sites are Gary, East Chicago, Michigan City, and Valparaiso; Lafayette; Muncie, Anderson and Marion; Indianapolis; and Evansville.

For years the universities have supported efforts to encourage high school students to take a rigorous curriculum, including the Core 40 college preparatory curriculum and the curriculum that leads to an Academic Honors Diploma. They have also supported the Education Roundtable’s work on K-12 academic standards, and on assessments aligned with the standards. Universities are also aligning their teacher preparation programs and professional development opportunities to these standards and curricula, so that teachers are better able to bring about the desired levels of student learning.



Graduate Education

Mission

To prepare students for specific careers and to help people advance within their chosen occupations.

Summary of Activities

In Indiana, five public universities offer graduate education leading to master's and doctoral degrees: **Ball State University, Indiana State University, Indiana University** (all campuses), **Purdue University** (all campuses), and the **University of Southern Indiana**. The breadth and depth of graduate education is strongest at IU Bloomington and Purdue - West Lafayette.

Many public campuses, including IU and Purdue regional campuses and the University of Southern Indiana, offer master's degrees for adults employed in such fields as business, education, and public administration. Just five campuses – IU Bloomington, IUPUI, Purdue West Lafayette, Ball State and Indiana State universities – offer doctoral degrees, predominantly Ph.Ds. In 2001-02, the public universities enrolled 43,160 students in graduate programs and conferred 6,144 master's and 878 doctoral degrees. The largest number of master's degrees were awarded in education and business. The largest number of doctoral degrees were awarded in education and engineering.



External Factors

Especially at the doctoral level, the universities produce degree recipients for a national, even international, market. Because some Ph.D. graduates find no jobs waiting for them, however, discussion has arisen nationally about how much graduate education is enough. At the other end of the career ladder, many faculty members in Indiana universities will soon retire. Campuses will have to plan for their replacement, including reallocation of faculty to meet the changing demands of students and the workforce.

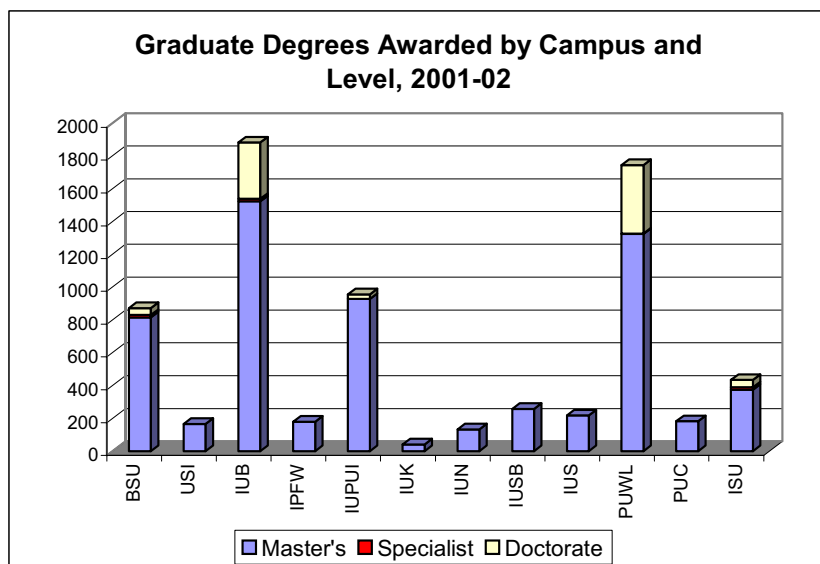
Master's degrees are sought by employers, employees, and campuses alike. The existence of the Community College of Indiana may increase demand for these degrees as regional campuses are encouraged to focus more on junior- and senior-level courses.

Evaluation and Accomplishments

Indiana's two research institutions are frequently ranked with other research institutions in national rankings. Purdue University is known above all for its engineering programs. The School of Engineering is ranked ninth nationally – fifth among public universities – by *U.S. News and World Report*.

The School of Engineering also provides a significant distance education program, Continuing Engineering Education (CEE). Through CEE, baccalaureate-trained engineers may pursue masters' degrees or attend an array of non-credit workshops.

While Indiana University offers a broad range of nationally recognized graduate programs, it is perhaps most famous for its School of Music programs. The school emphasizes musical performance and presents about 1,000 public programs each year.



A Selection of Ranked Graduate Programs (National Ranking)

IU Bloomington

Analytic Chemistry (4)
 Audiology (9)
 Business – Kelley School (23)
 Clinical Psychology (2)
 Education (17)
 Elementary (8)
 Secondary (9)
 Higher Education Administration (4)
 Counseling/Personnel Services (8)
 Curriculum/Instruction (8)
 English (23)
 British Literature (9)
 Fine Arts (13)
 Painting/Drawing (9)
 History (19)
 Latin American History (8)
 Political Science (18)

Psychology (17)
 Experimental Psychology (9)
 Public Affairs (3)
 Public Policy Analysis (9)
 Public Administration (4)
 Public Finance (2)
 Environmental Policy/Management (1)
 Information & Technology Management (5)
 Sociology (11)
 Social Psychology (2)
 Social Stratification (9)
 Speech-Language Pathology (8)

PU West Lafayette

Audiology (13)
 Business – Krannert School (24)
 Production/Operations (2)
 Supply Chain/Logistics (9)

Chemistry (18)
 Analytic Chemistry (2)
 Computer Science (20)
 Engineering (9)
 Aerospace Engineering (6)
 Agricultural Engineering (2)
 Civil Engineering (7)
 Electrical Engineering (10)
 Industrial Engineering (3)
 Mechanical Engineering (7)
 Nuclear Engineering (7)
 Speech-Language Pathology (4)

IUPUI

Health Care Law (8)
 Nursing (15)
 Adult/Medical-Surgical (4)
 Psychiatric/Mental Health (5)
 Nursing Administration (7)

Plans for the Biennium

A top priority for Indiana University for 2003-05 is to achieve the planned expectations for the School of Informatics and its programs in terms of both size and quality. Focused on the arts, science, and human dimension of information, the School offers one undergraduate and four master's degree programs. With 875 undergraduate majors and 151 graduate majors enrolled in fall 2002, the School plans to strengthen the existing programs at the Bloomington and Indianapolis campuses with plans to extend programs to the regional campuses.

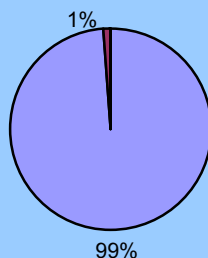
Purdue University's chief priority is to expand its existing graduate program and to establish a new undergraduate program in biomedical engineering. These programs will not only supply Indiana medical device and biotechnology companies with biomedical engineers, but will also serve as a center for research leading to start-up companies, new and improved products, and leverage for a growing pool of available research funds.

Program: 0105

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$157,856,567	\$143,679,433	\$154,176,272	\$160,267,929	\$162,921,786

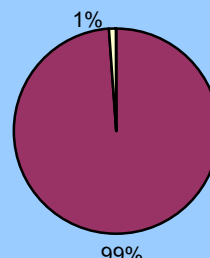
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



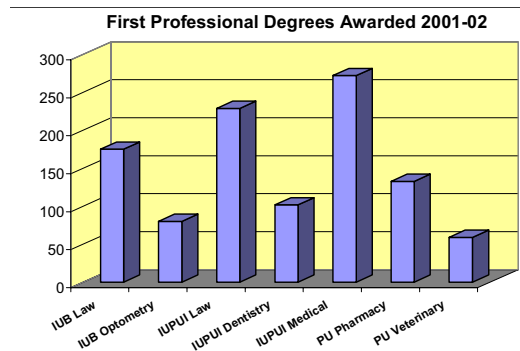
Professional Education

Mission

To provide world-class educational services to students seeking professional careers.

Summary of Activities

Indiana University (IU) and **Purdue University** offer professional post-baccalaureate education leading to what are called “first professional” degrees. These degree programs are offered in Bloomington, West Lafayette, and Indianapolis. Indiana University is home to the state’s two publicly funded law schools (in Bloomington and Indianapolis) and the Schools of Medicine, Dentistry (both housed in Indianapolis) and Optometry (Bloomington). Purdue University offers professional degrees in Pharmacy and Veterinary Medicine. Both are located in West Lafayette. Degrees in Teacher Education and Nursing are generally offered through the undergraduate and graduate schools.



Indiana University’s School of Medicine is part of the IU Medical Center in Indianapolis. IU opened its first hospital in Indianapolis in 1914. Today’s Medical Center includes several teaching hospitals, some of which are administered by Clarian Health Partners. The School of Medicine also manages patient care under contract at Wishard Health Services, serving Marion County, and has cooperative arrangements with the Richard L. Roudebush Veterans Administration Medical Center and Larue D. Carter Memorial Hospital. The university maintains instructional and research activities at all these institutions. They are settings for clinical studies by nationally and internationally recognized research institutes and by School of Medicine centers. The School of Medicine also operates statewide by means of eight regional medical centers. The centers provide only the first two years of medical education; students must complete their study at IUPUI. Internships and residencies for IU medical students are overseen by the Medical Education Board, a state agency administered by IU.

IU’s School of Dentistry is the state’s only dental school. It began as the Indiana Dental College in 1879 and was purchased by IU in 1925. An on-campus Comprehensive Care Clinic serves some 17,000 patients per year. The school also provides treatment at several other patient care facilities, including the pediatric dentistry clinic at IU’s James Whitcomb Riley Hospital for Children, the oral and maxillofacial surgery clinics at University and Wishard Memorial hospitals, and two community clinics, Cottage Grove and Grassy Creek. Much of the school’s research occurs at its Oral Health Research Institute, built with royalties from the sale of Crest toothpaste, itself an early research success of the School.

IU’s optometry program was established in Bloomington in 1951 and conferred its first professional degrees in 1956. The School operates the Atwater Eye Care Center on campus, the Community Eye Care Center on the west side of Bloomington, and the Indianapolis Eye Care Center. Other clinical facilities are located in Veterans Administration and military hospitals and community care centers in other cities.

Purdue’s School of Veterinary Medicine is one of only 27 in North America and the only veterinary college in Indiana. Since the graduation of its first class in 1963, the school has produced nearly 2,000 veterinarians who now practice in all 50 states. The faculty of Veterinary Medicine pursue research into such subjects as spinal injuries, infectious diseases, neuroscience, herd management, animal welfare, equine sports medicine, and flow cytometry. The School also provides service to animal owners and the greater community through the Veterinary Teaching Hospital (a consultation and referral center for practicing veterinarians), the Purdue Equine Sports Medicine Center, and the PetSafe program (short-term emergency housing for pets owned by individuals or families in crisis).

The Indiana University School of Law in Bloomington has prepared students to practice law for more than 150 years. Its specialized programs include business and commercial law, environmental law, global legal studies, information and communications law, law and society, and legal writing and advocacy. The IU School of Law in Indianapolis is the largest law school in Indiana, and the only one to offer both part- and full-time legal education.

Joint degrees in law and other fields are available, as is the opportunity to earn a concentration in Health Law through the School's nationally recognized Center for Law and Health. Other specializations include a program in International Human Rights and a program on Law and State Government.

In 2001-02, the professional schools enrolled a total of 4,310 students. The law schools conferred 404 degrees and the health profession schools, 646.

External Factors

In all fields of medicine, practitioners are challenged to constantly update their knowledge based on rapidly changing information about illness and its treatment. This obliges schools of medicine, pharmacy, etc., not only to continually update curricula, but to also continually rethink the professional development opportunities they provide.

Evaluation and Accomplishments

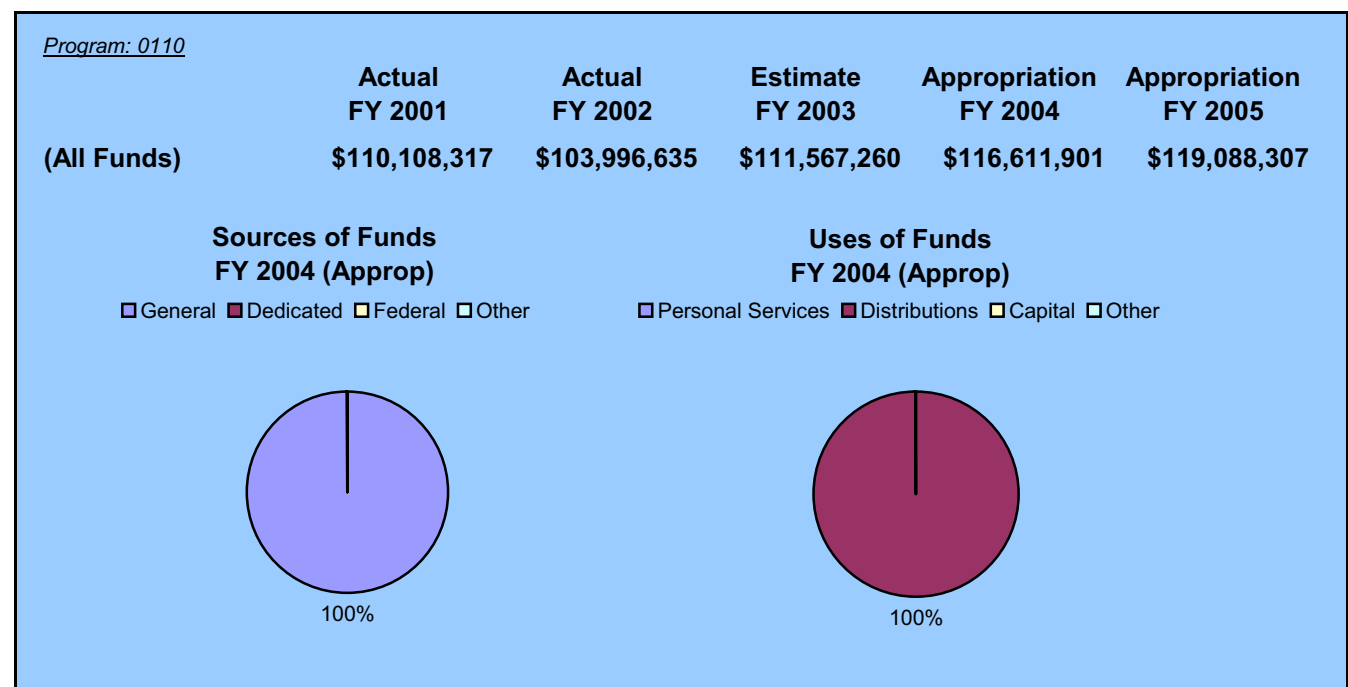
Recent pass rates for licensure or certification examinations in professional fields are as follows:

Dentistry	89 percent
Law (IUB)	91 percent
Law (IUPUI)	88 percent
Medicine	97, 98 percent (two assessments)
Optometry	91 percent
Pharmacy	96 percent
Veterinary Medicine	77, 90 percent (two assessments)



Plans for the Biennium

The Indiana University School of Optometry will develop a patient-based disease research program for the Bloomington campus. The program will increase research focused on improving early diagnostic tests and better treatment of eye disease, and it will also position the campus to successfully pursue contracts and grants in both basic and applied research.



Higher Education Research

Mission

To create and disseminate knowledge across all academic disciplines.

Summary of Activities

Indiana's public universities are engaged in a vast array of research activities across all fields of inquiry. Some research is sponsored directly by the universities or their academic departments, while other research is funded by the state, agencies of the federal government, foundations, or corporations. Indiana is relatively unique among states with similar population size in that it supports two major public research universities as well as a major medical school. Together, **Indiana University** and **Purdue University** reported spending nearly \$515 million on science and engineering research and development activities in federal fiscal year (FFY) 2001.

In addition to research funded in a general sense through state operating appropriations to the universities, which is a very small portion of total university research expenditures, the state funds a number of specific research activities directly. These activities are directed at issues with immediate application to the health and welfare of the citizens of Indiana and often include a substantial public service component. Among these activities are spinal cord and paralysis research, the work of the Indiana Geological Survey, agricultural and veterinary research, support for Internet2, and support for the Indiana Institute on Disability and Community.

External Factors

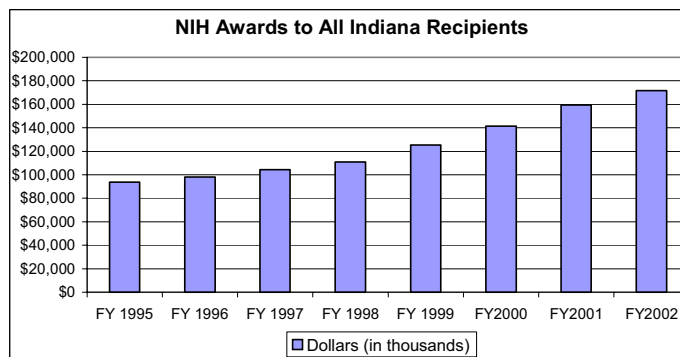
The most significant external factors affecting research at universities are the recent growth in federal funding for research and the competitive environment for research dollars nationwide. Federal funding for research sponsored by the National Institutes of Health doubled between FY 1995 and FY 2002, and research funding provided by the National Science Foundation is expected to double between FY 2002 and FY 2007. During the period from FY 1998 to FY 2002, National Institute of Health support for Indiana public universities increased from \$101.4 million to \$151.0 million.

While growth in funding has presented universities with new opportunities, competition for research funding has also increased nationwide. The state has chosen to address both the new opportunities and the competition in several ways. First, Governor O'Bannon proposed the creation of the 21st Century Research and Technology Fund in 1999. The fund, which received a \$75 million appropriation from the 2003 General Assembly, leverages external funding opportunities and encourages collaboration between Indiana's universities and the private sector.

Second, as part of the O'Bannon/Kernan Energize Indiana plan, five new research facilities for Purdue University and Indiana University were authorized by the General Assembly. Finally, 2003-05 university operating appropriations for Indiana University, Purdue University, and Ball State University include new funding to help them meet matching requirements for new research grants and to defray some of the unreimbursed indirect costs of research.

Evaluation and Accomplishments

While much research may be "pure" in the sense that it is undertaken to extend the boundaries of knowledge alone, a great deal of research conducted at Indiana universities is "applied" — its results have direct applications in improving Hoosiers' quality of life and developing Indiana's economy. For example, research at Purdue University often leads to inventions and processes that are ultimately licensed for commercial use, and Purdue has been active in licensing to Indiana companies and start-ups in the state. Some of the new companies resulting from research at Purdue include SSCI; Endocyte, Inc.; Cook Biotech, Inc.; Optolynx, Inc.; SpectraCode; and Advanced Process Combinatorics.



In a similar vein, the Advanced Research & Technology Institute is dedicated to building Indiana's future with strategic commercialization of research and technology through Indiana University and business/industry collaboration. ARTI's mission is to enhance Indiana's business competitiveness through technology innovation. With eight IU campuses throughout the state, ARTI provides access to IU's technology expertise, expands Indiana's research, development, and technology infrastructure and creates collaborative environments to advance Indiana's technology future.

With the opening of the Indiana University Emerging Technologies Center, a life sciences business incubator, ARTI is now hosting numerous companies that provide jobs and corporate income to the citizens of Indiana. Two of those successful companies, formed from technology created at IU, include Therametric Technologies, a company dedicated to the early detection and treatment of dental caries, and Optosonics, a corporation developing a new imaging system for early detection of breast cancer without using radiation.

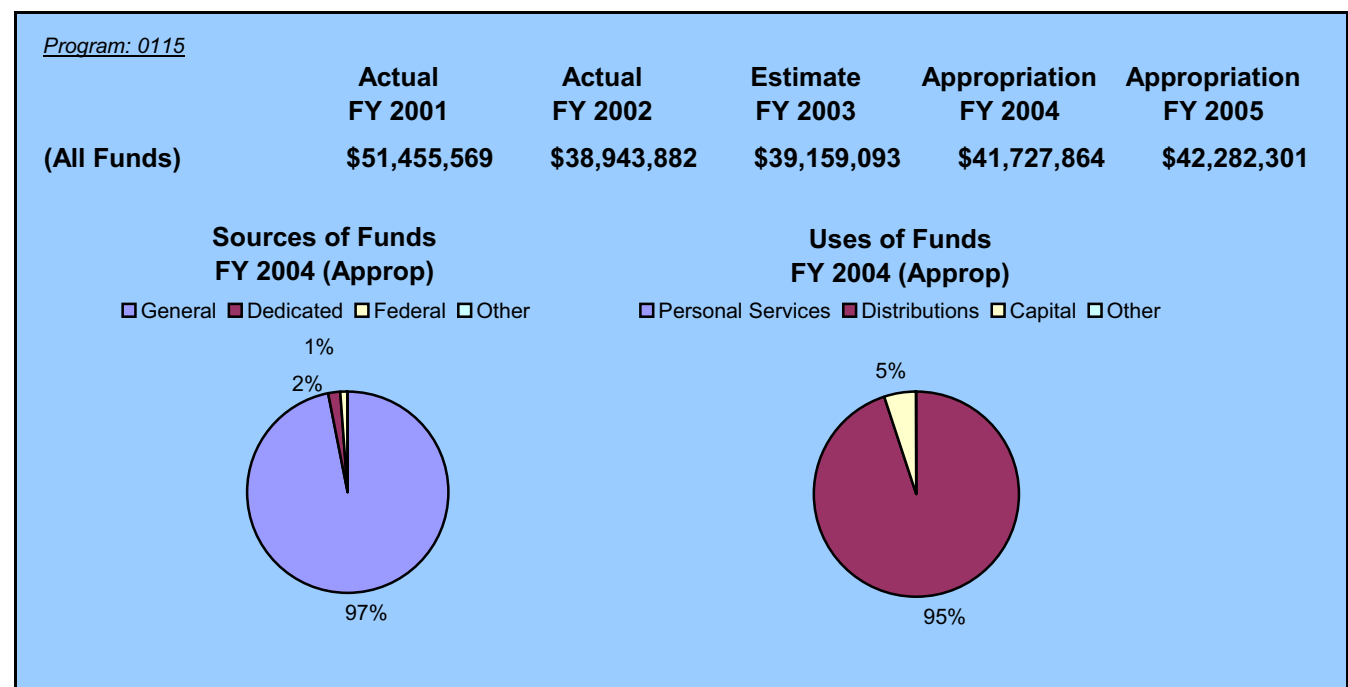
The economic benefits of research extend beyond new products and services; Indiana University estimates that its 2001-02 level of research and development spending supported over 12,100 jobs.

Plans for the Biennium

Opened in 1961, Purdue Research Park provides an interactive environment for private business and industry, mainly in high-tech fields, and Purdue University researchers. The Park is home to more than 90 companies that employ 2,500 people. Many of them are developing Purdue-licensed technologies. Following action by the 2002 General Assembly, Purdue University applied for, and received, Indiana's first Certified Technology Park designation for Purdue Research Park. The designation entitles the Park to seek funding from the Indiana Department of Commerce's Technology Development Grant Fund. These funds will support the second phase of the Park's development.

Activated in 2001, I-Light (a high-performance, optical-fiber network) links the campuses of Indiana University, Purdue University and Indiana University-Purdue University at Indianapolis. Expanding capacity by connecting the universities to the Internet2, I-Light will be a critical component for many projects including telemedicine, the Indiana Genomics Initiative, and the ATLAS experiment.

The 2003-05 biennium will mark the beginning of state appropriated general operating research funds for the research and doctoral campuses. Base operating appropriation increases totaling over \$6 million for FY 2004 and over \$12 million for FY 2005 were approved by the 2003 General Assembly.



Higher Education Public Service

Mission

To improve the quality of life of Indiana's citizens and develop Indiana's economy through the dissemination of knowledge and provision of expert services.

Summary of Activities

Indiana's public colleges and universities engage in a wide variety of public service activities, including public radio and television broadcasting, training activities for local units of government, laboratory schools, business development assistance, in-service training for human services professionals, cooperative extension services, and historic preservation.

Public service activities at colleges and universities are often closely tied to research activities. For example, research carried out at **Purdue University's** agricultural experiment stations may be disseminated to the agriculture industry through county extension educators, and research carried out by the Indiana Institute on Disability and Community may be disseminated through workshops with families that include members with developmental disabilities.



In addition to public service activities funded in a general sense through state operating appropriations to the universities, the state funds a number of specific public service activities directly. Among these direct appropriations are forensic lab services through the **Indiana University (IU)** Chemical Test Training Program; business assistance through the IU Industrial Research Liaison Program; technical assistance

to industry through the Purdue University Technical Assistance Program; historic preservation and interpretation services at New Harmony through the **University of Southern Indiana**; advanced high school education through the Indiana Academy for Science, Mathematics, and Humanities at **Ball State University**; professional development programs for Indiana's teachers delivered at their schools by **Indiana State University** education professors; and college and career planning assistance through the Indiana Career and Postsecondary Advancement Center.



External Factors

Because the public service activities of the state's colleges and universities are varied, the external factors affecting them are also varied. For example, public broadcasting stations face the challenge of converting their transmission equipment to support digital broadcasts, and the cooperative extension service has been adapting to diminished federal support for over a decade. One factor that affects most public service activities is the increasing demand for such services, particularly those that offer technical assistance to businesses and industry.

Evaluation and Accomplishments

The variety of public service activities carried out by Indiana's public colleges and universities produce an equally broad set of accomplishments, which include the following:

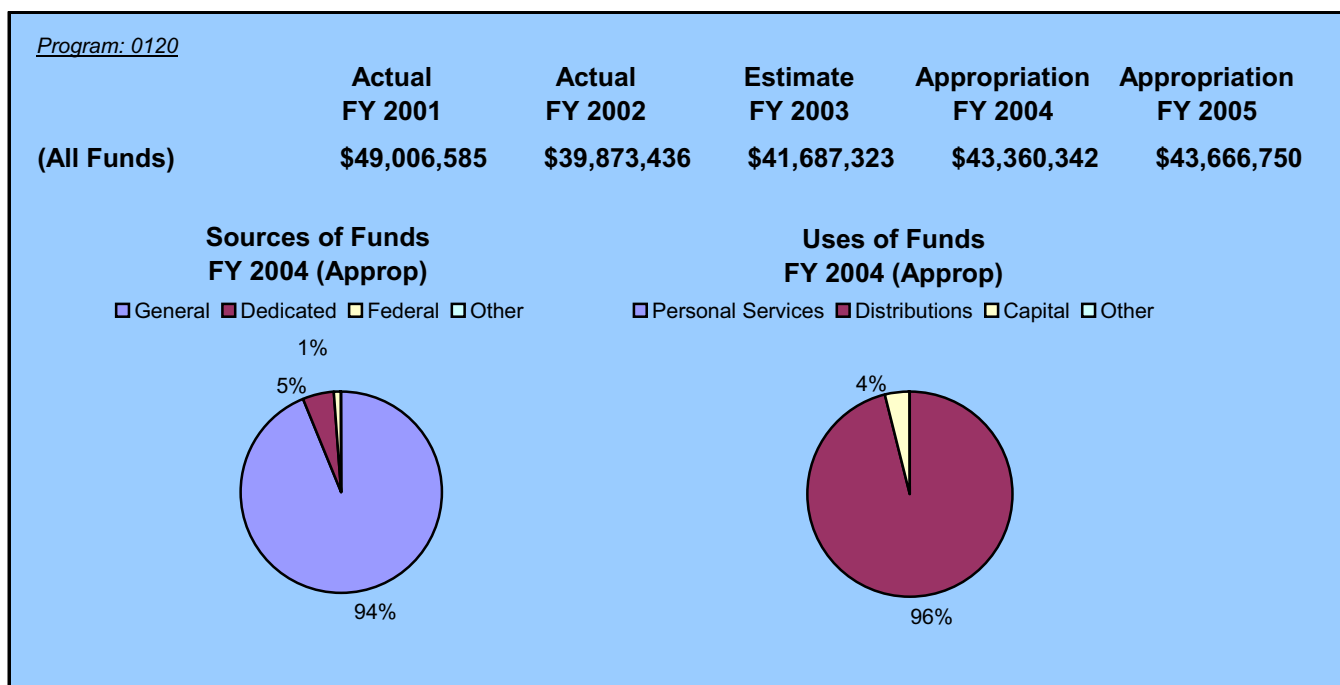
The Indiana Academy for Science, Mathematics, and Humanities serves as a residential high school for about 300 of Indiana's most talented high school juniors and seniors. It also undertakes substantial outreach and training activities through distance education courses for Indiana school corporations, educator workshops and professional development opportunities, and electronic field trips. The electronic field trips reach a nationwide audience of students through partnerships with the Smithsonian Institute, the Field Museum, and other leading educational and cultural institutions.

- Purdue University established a *Technical Assistance Program* (TAP) in 1986 to help Indiana companies grow and prosper. Since its inception, TAP has assisted over 5,000 companies with advanced manufacturing, business management, information technology, product development, and quality systems. Its Technical Information Service has performed more than 4,500 information searches and delivered over 152,000 documents. Companies have benefited from the input of more than 750 summer interns. In 2002, 46 companies and 1,200 Purdue students attended TAP's High Tech Job Fair, seeking to fill full-time and internship positions in Indiana. TAP is supported by state appropriations and fees charged for services.



Plans for the Biennium

In 2003-05 the institutions will strive to maintain current levels of public service activities within the confines of substantially reduced state appropriations.



Higher Education Student Assistance

Mission

To make college affordable, to allow students more choice in selecting a college, and to increase college preparation.

Summary of Activities

Student financial assistance provided by the state includes both programs administered by the **State Student Assistance Commission of Indiana (SSACI)** and the portion of institutional financial aid derived from general operating appropriations to the public colleges and universities.



SSACI has three main areas of concentration: Grants and Scholarships, Early Intervention and Education Programs, and Technology, Research and Analysis. Grants and scholarships administered by SSACI include the Higher Education Award, Freedom of Choice grant, Twenty-first Century Scholarship, National Guard Supplemental grant, Part-Time Grant, Special Program grants for nurses, working students, minority students, and Fee Remission Grants for children of disabled veterans and similar students. Students who receive Core 40 and Academic Honors diplomas in high school are eligible for higher levels of assistance.

In addition to administering a number of Federal programs, SSACI also conducts early intervention programs for Twenty-first Century Scholars and education and outreach programs for all students, parents, high school counselors, and financial aid professionals. It conducts research to better understand the needs of Hoosier students and families.

Institutional aid appropriated directly to public universities includes statutory and non-statutory tuition and fee waivers and institutional grants and scholarships. Statutory tuition and fee waivers administered by universities include senior citizen fee waivers and county scholarships. Non-statutory waivers may be granted at the discretion of institutional trustees to a variety of students including faculty and staff and their spouses and dependents, graduate and undergraduate teaching and research assistants, and students with specific talents or abilities. Other institutional aid includes need-based grants and merit scholarships.

External Factors

The primary factors affecting student assistance are the continuously rising cost of attending college; the increasing number of high school graduates going to college; the increasing number of graduates earning Core 40 and Academic Honors diplomas; the growing number of students who attend college part-time; the increasing reliance of students on loans to finance their education; the slow growth in federal student assistance programs; and increasingly strained state revenues and economic forecasts.

Evaluation and Accomplishments

In 2000-01, Indiana's need-based aid programs administered by SSACI ranked seventh nationally in grant dollars per resident population, eighth in grant dollars per resident college-age population, and seventh in grant dollars to undergraduates per full-time undergraduate enrollment. In 2002-03 SSACI funded \$117 million in major grants to 42,000 students, plus \$20 million in Twenty-First Century Scholarships and other special program grants to nearly 14,000 students.

Throughout 2001-03, SSACI's Office of Twenty-First Century Scholars expanded its early intervention programs utilizing a five-year \$25 million federal GEARUP (Gaining Early Awareness and Readiness for Undergraduate Programs) grant by increasing the number and intensity of contacts with Scholars and by implementing the GEARUP Summer Scholarship program.

In 2001-02 SSACI implemented a special billing system for its fee remission programs. The system allows public colleges and universities to electronically bill SSACI for covered tuition and fees, thus improving efficiency and reducing administrative costs for the institutions and SSACI. It also enables SSACI to track statutory mandated eligibility requirements.





Whenever possible SSACI introduces real-time, online web-based internet systems to increase its efficiency and services. In 2001-03, SSACI improved its online systems eGRADS, CHIPS, and WERRS. eGRADS allows financial aid professionals at nearly 100 colleges and universities around the state to check on the eligibility and awards for any of their enrolled students. CHIPS allows high school counselors to list pertinent data on their Honors and Core 40 graduates. WERRS allows work-study students to apply for jobs and SSACI to match students with particular skills, as described in their on-line resumes, to employers needing those skills.

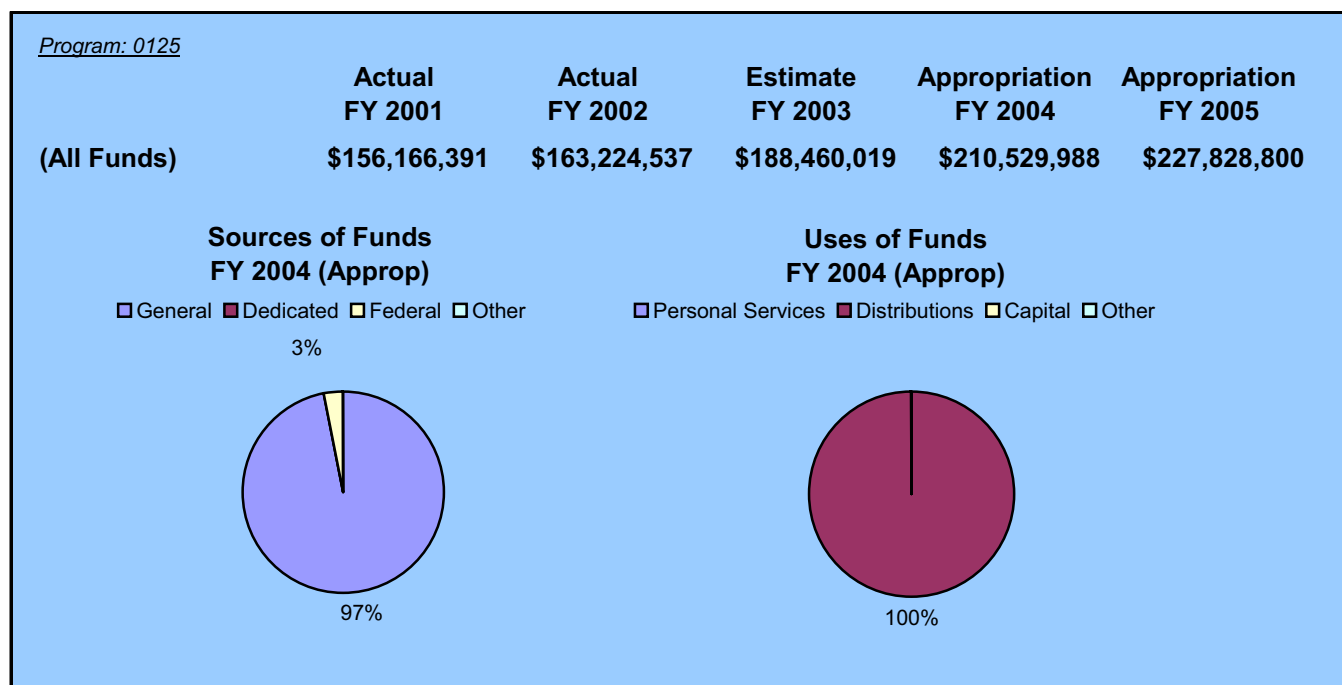
In 2002 SSACI fully implemented eStudent, an online system that allows students to check on the status of the financial aid applications and awards, update their addresses, and most importantly to change their first-college choice in real-time. In addition, SSACI developed Scholar Track to follow the early intervention activities of 21st Century Scholars and SIFRS, Scholars Internet Financial Reporting System, which enables SSACI to track online the budgets of the 16 early intervention sites around the state.

Plans for the Biennium

SSACI plans to maintain its national leadership position in financial aid by meeting the financial needs of Hoosier families; to increase the number of students eligible for part-time grants; to increase the range and depth of early intervention programs for Scholars and parents; to improve its outreach and education programs for students, parents, high school counselors, and financial aid professionals; and to improve and develop online applications to better serve students, parents, and institutions.

SSACI will continue to work with the Federal government to renew the GEARUP grant which expires in FY04; implement an electronic billing system for its Nursing Scholarship and Minority Teacher programs; and monitor the impact of setting maximum awards for public college students, a strategy taken for the biennium in order to maximize the number and size of awards within a fiscally responsible budget.

In recent years, 50% of SSACI grant dollars for 29% of the students have gone to the independent (private) colleges of Indiana, with almost all the remainder going to the public colleges. SSACI expects that over the next 4 years it will impose slow growth in subsidized tuition by holding constant or slowly growing the maximum awards for all sectors, public, private, and proprietary.



Higher Education Coordination & Infrastructure

Mission

To collectively provide higher education services that meet citizens' needs, that are flexible in response to changing needs, and that do not duplicate services except where appropriate.

Summary of Activities

Indiana's system of public higher education is planned and coordinated by the **Commission for Higher Education (CHE)** in cooperation with the **Commission on Proprietary Education (COPE)**, the **Indiana Higher Education Telecommunications System (IHETS)**, and the Independent Colleges of Indiana.

The chief responsibilities of the CHE are to define institutional missions; approve new campuses or extension centers; approve new degree programs; review established degree programs; and review both operating and capital budget requests from the institutions and from the **State Student Assistance Commission**. The review of budget requests culminates in recommendations to the Governor and the General Assembly regarding public funding for Indiana higher education.



INDIANA *for* COMMISSION
HIGHER EDUCATION

COPE is charged with regulating privately owned, postsecondary career schools. It seeks to maintain and improve career schools' quality and vocational effectiveness. It is responsible for guarding against any fraudulent activity on the part of career school operators.

IHETS was created by the General Assembly in 1967 to facilitate the distribution of educational resources via communications technologies. IHETS maintains voice, video, and data networks and coordinates campus- and community-based learning centers that permit the delivery of courses across the state. Its members are Indiana's colleges and universities. Partners include K-12 schools, public libraries, state government, and public broadcasting. IHETS and its distance education component, the Indiana College Network, are managed jointly by the higher education institutions.

The state and the institutions are also members of the Midwestern Higher Education Commission (MHEC). This is a compact of nine states that seeks to assist higher education in member states through joint procurement policies, the evaluation of courseware products, and the like.

External Factors

Constantly changing demands for postsecondary access and for specific degree programs require a coordinated state-wide response. For example, economic development concerns and the need for flexible, low-cost, non-traditional educational services led to the introduction of the Community College of Indiana. The rapid spread and advancement of instructional technology challenge IHETS and the public institutions to maintain Indiana's world-class reputation. Affording essential technology improvements will be an issue throughout the foreseeable future.

Evaluation and Accomplishments

An ongoing success has been the continuing collaboration among the institutions in providing technology linkages. In addition to providing phone and data service for all Indiana campuses, IHETS provides multiple technologies for delivering access and student support through a network of 70 full-service learning centers, 300 videoconferencing sites, and over 400 satellite downlink points. The technologies most used for this purpose are the Internet, videoconferencing, and a four-channel satellite television network. IHETS installs and maintains the equipment needed for connectivity and provides 24/7 technical support. In fact, 80 percent of distance enrollments are now in online courses. The programmatic side of IHETS, including faculty and student services support, is overseen by the Indiana Partnership for State-wide Education (IPSE). IHETS also provides coordination for Indiana's Internet 2 participation as a Sponsored Education Group Participant, linking Indiana educators and learners through advanced services with experts and colleagues in 25 other states to participate in a leading edge network capability for the national research community.

Another accomplishment relates to the work of the Indiana's Articulation and transfer initiative, facilitated by CHE. The Statewide Transfer and Articulation Committee (STAC) was created in April 2000 and has representation from all public institutions and the Independent Colleges of Indiana (ICI).

CHE transmitted a progress report to the Legislative Council in August 2003 documenting the achievements of STAC, which include:

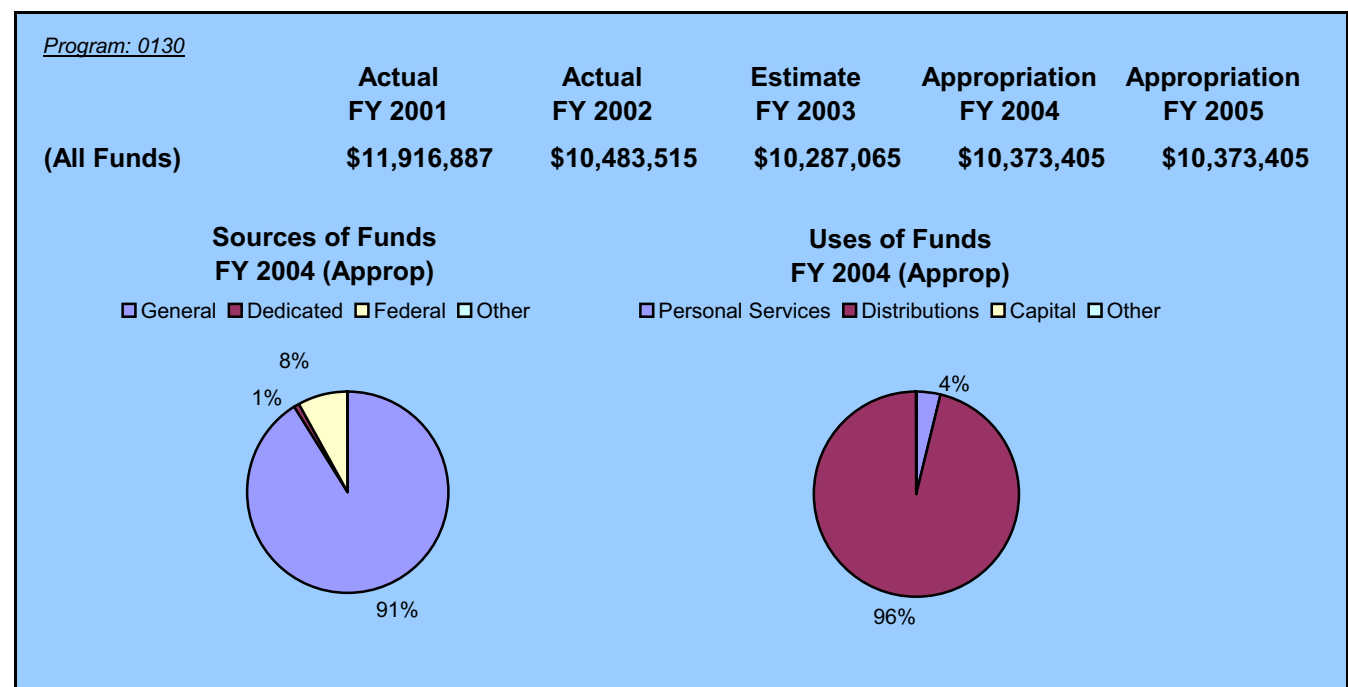
- Developing of a set of principles to guide statewide transfer and articulation in Indiana
- Publicizing a list of transfer coordinators for every public and ICI institution
- Facilitating full statewide articulation of the Vincennes University A.A./A.S. degrees offered at Community College of Indiana sites with every public university campus
- Cataloging 1,050 articulation agreements with public universities for Ivy Tech State College and 1,283 for Vincennes University
- Enumerating 4,259 Ivy Tech and 9,259 Vincennes courses that transfer to public university campuses throughout the state
- Identifying transfer equivalencies for the 40 most frequently taken courses
- Creating discipline sub-committees to enhance transfer for programs in business administration, computer information systems, early childhood education, and electronics technology



Plans for the Biennium

Over the biennium, IHETS will upgrade its satellite delivery system to interactive video streaming as well as digital broadcast delivery in partnership with Indiana's public broadcasting stations. This will include upgrading more institutions to DS3 links with the Indiana Telecommunications Network (ITN) and working with Indiana and Purdue universities on I-Light2 to create the next generation ITN. IHETS has also provided leadership in developing an Indiana Learning Portal that brings together key Indiana educational providers – from K-12, higher education, libraries, public broadcasting, and cultural organizations – to create a seamless access platform for Indiana residents across the life cycle, from pre-kindergarten to senior enrichment. ICN will continue to focus on addressing secondary-to-postsecondary transitions, teacher professional development, and economic development through e-learning.

The CHE will continue the review of programs with few recent graduates. Indiana's Statewide Articulation and Transfer Committee (STAC), facilitated by CHE, will continue to make progress in transfer and articulation options for students at all of the state's public postsecondary institutions, including the launching of up to five additional discipline sub-committees: automated manufacturing, criminal justice, design technology (CAD), nursing (RNs and LPNs), and visual communications. In addition, STAC is working to implement a system for tracking transfer students, determining their success in subsequent coursework, and providing feedback to the institution that the student transferred from.



Agriculture

Mission

To promote agriculture, rural development, and sustainable communities while protecting public health through the regulation and inspection of meat, poultry, and dairy production, and programs to prevent, control, and eradicate animal diseases.

Summary of Activities



Lt. Governor
Katherine L. Davis
Commissioner
of Agriculture

Indiana has a long and rich tradition as a leader in the agricultural industry. There are 63,000 farms in the state, utilizing over 15 million acres of land, and selling approximately \$4.5 billion worth of products. The Lieutenant Governor serves as Indiana's Commissioner of Agriculture. The **Office of the Commissioner of Agriculture (OCA)** promotes Indiana agriculture and rural development and provides administrative support for the **Indiana Commission for Agriculture & Rural Development (ICARD)**, which advises the Governor, Lieutenant Governor and Legislature on agricultural issues; the **Indiana Land Resources Council (ILRC)**, which addresses land use issues; the **Indiana Grain Buyers & Warehouse Licensing Agency (IGBWL)**, which regulates grain storage and grain buyers; and the **Indiana Grain Indemnity Corporation (IGIC)**, which insures producers against financial failures in the grain industry. The OCA also administers four grant programs.

The **Board of Animal Health (BOAH)** is an independent agency responsible for promoting public health and safety through the regulation of animal health. The BOAH licenses livestock dealers; regulates the meat, poultry, and dairy industries; and manages programs for the prevention, suppression, control, and eradication of infectious diseases affecting livestock and pets.

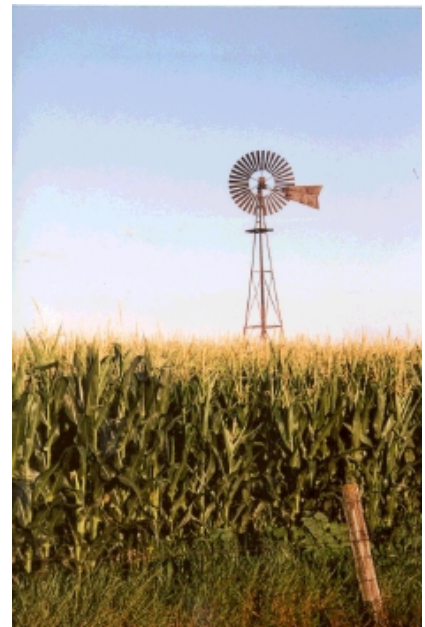
External Factors

Indiana's population grew by nine percent during the 1990's, increasing competition for land and natural resources at a time when agricultural commodity and livestock market prices remain at or near historically low levels. Land converted to other uses is permanently lost for agriculture. Indiana's total farm acreage has decreased 35% since 1900. Increased globalization requires Indiana farmers to compete on an international scale.

Increased trade with foreign nations brings an increased risk of the introduction of animal diseases into the state. The identification of a case of Bovine Spongiform Encephalopathy (a.k.a. "Mad Cow Disease") in Canada underscores the need for continuous vigilance by the BOAH to ensure food safety and security. The rapid spread of the West Nile virus has presented significant challenges, with 722 horses testing positive for the disease in 2002; up from just one in 2001. An informal survey of veterinarians indicated that many more animals were likely infected. An outbreak of monkeypox infections in humans in the spring of 2003 required the BOAH to issue emergency rules banning the sale and importation of prairie dogs and Gambian rats as exotic pets.

Evaluation and Accomplishments

In FY 2002 OCA programs assisted 151 value added agribusiness projects, provided legal and financial counseling to over 500 farmers, and distributed over \$2.8 million dollars in grants for livestock industry promotion, rural rehabilitation, and research on new processes and products intended to add value to Indiana agricultural commodities. The OCA facilitated the start-up of six new agricultural cooperatives and provided international trade assistance to 350 clients. The OCA also provides a three-day agricultural seminar for U.S. diplomats to assist them in representing U.S. agricultural interests overseas.



The ICARD developed a new Strategic Plan for Indiana Agriculture to provide direction for sustaining and expanding agricultural industry. The IGBWLA conducted 1,074 field audits of grain buyers and warehouses. Audited companies presented no claims against the Indiana Grain Indemnity Corporation. The ILRC created a Rural Wastewater Taskforce to develop recommendations on decentralized and small community wastewater management issues and developed the first Indiana Farmland Protection Plan.

BOAH's State Annex for Veterinary Emergencies (SAVE) is the first statewide emergency response network in the nation. Established in cooperation with the State Emergency Management Agency (SEMA), the SAVE team responds to veterinary emergencies in Governor-declared disaster situations. When a large-scale flood, tornado or other disaster strikes, specially trained veterinarians, technicians, and animal control personnel respond to the scene. Together, in a unique public-private partnership, they coordinate efforts to evacuate, rescue, treat, and shelter animals in distress. After more than two decades of effort the BOAH's pseudorabies eradication program successfully eliminated this viral swine disease from Indiana.

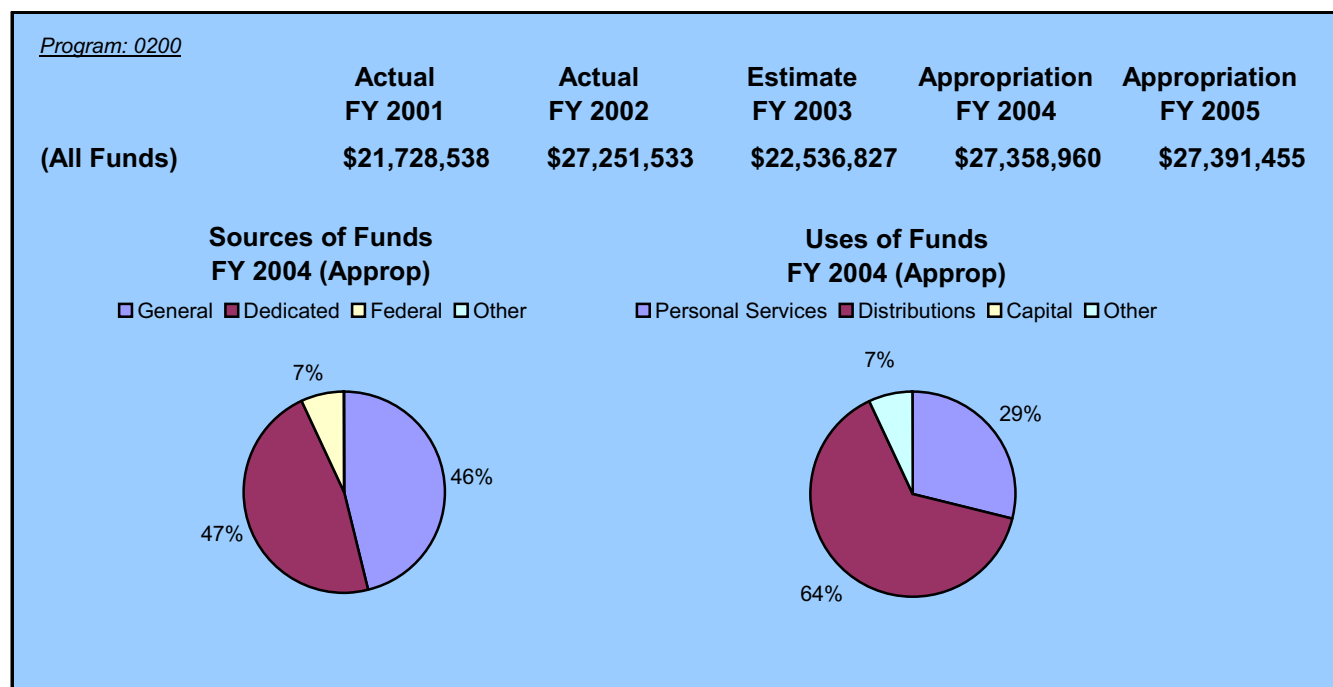
Indiana's Rank in U.S. Agriculture Foreign Exports based on 2002 Cash Receipts			
Rank	Product	Dollars	% of U.S. Exports
10th	Total All Commodities	1,696,200,000	2.7
3rd	Soybeans & Products	694,200,000	9.5
4th	Feed Grains & Products	569,900,000	8.4
13th	Live Animals & Meat, Excl. Poultry	123,300,000	2.0
7th	Poultry & Products	82,800,000	3.6
21st	Wheat & Products	81,400,000	1.7
9th	Seeds	28,000,000	3.3
23rd	Feed & Fodder	24,500,000	1.3
15th	Dairy Products	13,300,000	1.3
12th	Tobacco, Unmanufactured	10,400,000	0.9
31st	Vegetables & Prepared Vegetables	5,900,000	0.1
20th	Fruit & Prepared Nuts	5,200,000	0.2
19th	Fats, Oils & Greases	2,700,000	0.6
24th	Hides & Skins	2,300,000	0.1

Source: Indiana Agricultural Statistics Service

Plans for the Biennium

The OCA will continue efforts to expand Indiana agricultural exports, provide financial assistance and research funding for agriculture, and financial and legal counseling to farmers. ICARD will refocus its mission and strategy by updating its strategic plan. New initiatives include an agri-tourism program in partnership with the Department of Commerce Tourism Division and a Community Kitchen initiative to encourage new food manufacturing enterprises in Indiana.

The BOAH plans to strengthen livestock monitoring and surveillance programs, pursue additional specialized training opportunities for veterinarians and field staff, broaden the information available to the public, and continue evaluation of all inspection programs to ensure public health, safety and welfare.



Business Development

Mission

To improve the quality of life for Hoosiers by encouraging the diversification of Indiana's economy, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry and the promotion of the state of Indiana.

Summary of Activities

The **Office of the Lieutenant Governor** promotes business development through the **Indiana Department of Commerce (IDOC)** and two quasi-governmental agencies: the **Indiana Development Finance Authority (IDFA)** and the **Indiana Economic Development Council (IEDC)**.

IDOC facilitates business attraction, retention, and expansion through its International Trade, Business Development, and e-Commerce divisions. The Department's Industrial Development Grant Fund provides assistance to local units of government for the installation and extension of public infrastructure to support new and expanding industries. IDOC promotes the sale of Indiana products overseas through an export assistance program and the maintenance of foreign trade offices in 14 countries on five continents.

IDFA administers the state's Industrial Revenue Bonding program and manages capital access and loan guaranty programs.

The 21st Century Research and Technology Fund was established in 1999 to support the expansion of the high technology sector of Indiana's economy. The Fund seeks to increase the capacity of universities, businesses, nonprofit corporations, and other organizations to compete successfully for federal or private research and development funding and stimulate the transfer of research and technology into marketable products. In addition, it assists in diversifying Indiana's economy by focusing investment in biomedical research and biotechnology, information technology, and other high-technology industry clusters requiring high-skill, high-wage employees. And it encourages an environment of innovation and cooperation among universities and businesses to promote research activity.



External Factors

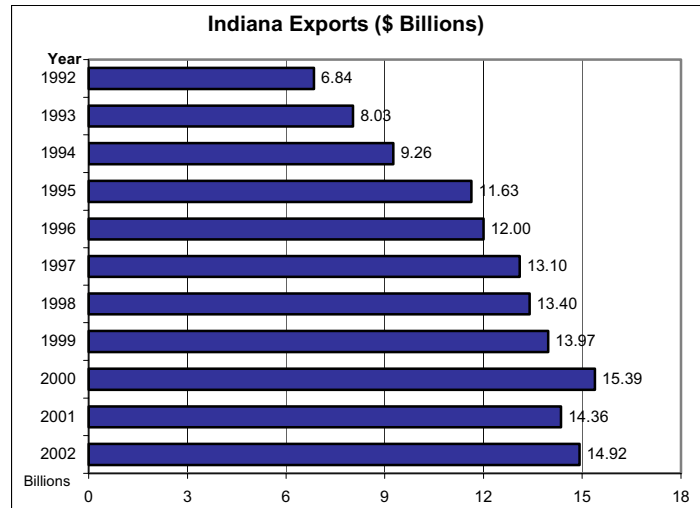
The principal factors affecting business development are the availability of a skilled workforce, the impact of the "new economy" on Indiana's manufacturing and service sectors, energy availability and cost, regional and interstate competition for companies, and the level of federal funding.

Evaluation and Accomplishments

In 2002, the Department set up 12 regional offices throughout the state in order to take its services to its customers. Each office is staffed with three individuals who provide "one-stop" services for their constituents.

- 397 Indiana businesses received \$26.1 million in workforce training assistance for 16,575 new and 81,169 existing jobs, leveraging \$3.2 billion in private capital investment.
- 42 infrastructure grants totaling \$6,716,144 were awarded to 34 Indiana communities in 29 counties to support projects that produced 4,858 new jobs and leveraged \$482 million in new, private capital investment.
- 46 export development grants totaling \$208,593 were awarded to Indiana businesses, benefiting over 5,465 workers and leveraging \$356,972 in private investment.
- \$5.4 million has guaranteed 15 loans totaling \$7.9 million, helping create 250 new jobs.

- IDFA's Capital Access Program leveraged over \$26 million in private funds, creating 546 new jobs. The present private-to-public capital access leverage ratio is approximately \$24 to \$1.
- In 2002, Indiana businesses exported approximately \$14.9 billion in goods worldwide, compared to \$6.84 billion in 1992.



Plans for the Biennium

IDOC will expand e-commerce and technology sector initiatives, continue investment in research and technology projects, and continue expanding high-tech, high-wage business. Integration of regional business development resources will be improved, while funding will be set aside from existing assistance programs to promote worker skills enhancement in information technology. Financial assistance programs will be further focused on attraction, retention and expansion of high-tech and advanced manufacturing businesses that account for major capital investments and provide high-wage jobs.

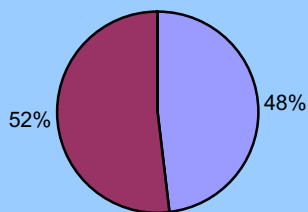


Program: 0205

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$53,054,154	\$78,997,962	\$54,073,640	\$81,070,479	\$80,070,478

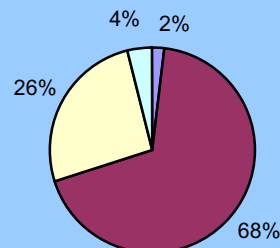
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Community Development

Mission

To provide technical assistance and funding opportunities to local communities to preserve and improve the quality of life for Indiana's residents.

Summary of Activities

The **Office of the Lieutenant Governor** promotes Community Development through the **Indiana Department of Commerce** (IDOC). Community Development manages a range of programs that help local communities improve economic development opportunities and the quality of life of their residents. The initiatives include the Community Development Action Grant (CDAG) program, the Enterprise Zone program, the Neighborhood Assistance Program (NAP) and the Individual Development Account program (IDA).

CDAG helps expand the administrative and program development capacity of local nonprofit organizations whose purposes include economic development. The Enterprise Zone program strives to improve the quality of life in distressed urban areas through community development and business development initiatives and incentives. NAP encourages investment in projects that benefit residents in economically distressed urban and rural areas by allowing local nonprofit organizations to leverage private contributions through the allocation of state income tax credits to program investors. IDA is a matched savings account program designed to help low-income families accumulate savings for long-term goals.

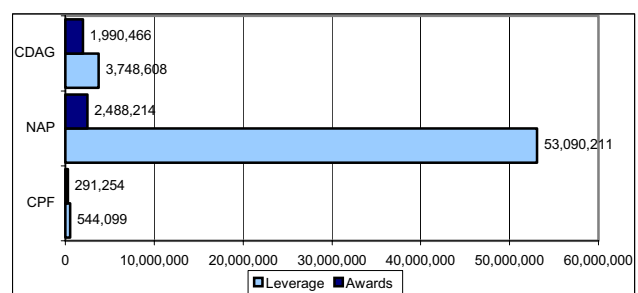
The largest IDOC grant program is the Community Focus Fund (CFF), which is funded with federal Community Development Block Grant (CDBG) dollars and provides technical assistance grants of up to \$500,000 to small cities, towns, and counties across the state. Local CFF projects include fire protection, access to childcare, downtown revitalization, wetlands management, historic preservation, environmental assessment, utilities, senior and community centers, and infrastructure projects.

In addition, Commerce administers the Indiana Main Street program, which focuses on the revitalization and prosperity of downtown areas in communities across the state. Main Street staff members act as resources to communities and organizations that are working to improve their downtowns and provide training opportunities, a lending library, an annual conference and technical assistance on various topics and projects.

The Indiana Commission on Community Service and Volunteerism (ICCSV) is the central coordinating office for the state's community service and volunteer sectors. The responsibilities of the ICCSV include the management and oversight of Indiana AmeriCorps programs, and Citizen Corps. ICCSV programs identify and mobilize resources, promote an ethic of service, and develop in communities the capacity to solve problems and improve the quality of life for all individuals and families.

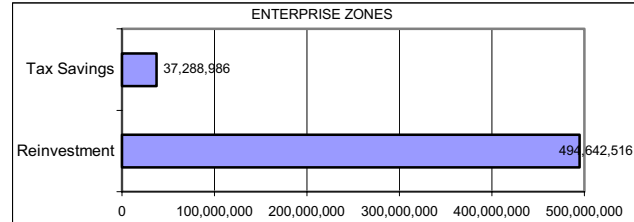
External Factors

State community development grants require local communities to provide matching funds. The state's ability to engage in community development partnerships is limited to the extent that communities and organizations can raise matching funds from their own resources, private or nonprofit organizations, or other sources. Technological advancements and environmental concerns continue to challenge local governments, particularly in providing and maintaining adequate water and sewer infrastructure. IDOC anticipates that these needs will continue to place a great demand on funding as existing systems continue to age.



Evaluation and Accomplishments

In 2002, IDOC assisted 175 communities and organizations through the CDAG, NAP, Enterprise Zone and IDA programs, leveraging many additional dollars for local projects. In addition to individual community assistance, IDOC has provided the public with information about community development programs and initiatives through a series of conferences and workshops. Educational and outreach activities are critical to the success of community development programs in improving communities across the state. These efforts inform local government officials, increase awareness of assistance programs and lead to projects that enhance the quality of life for residents throughout the state.

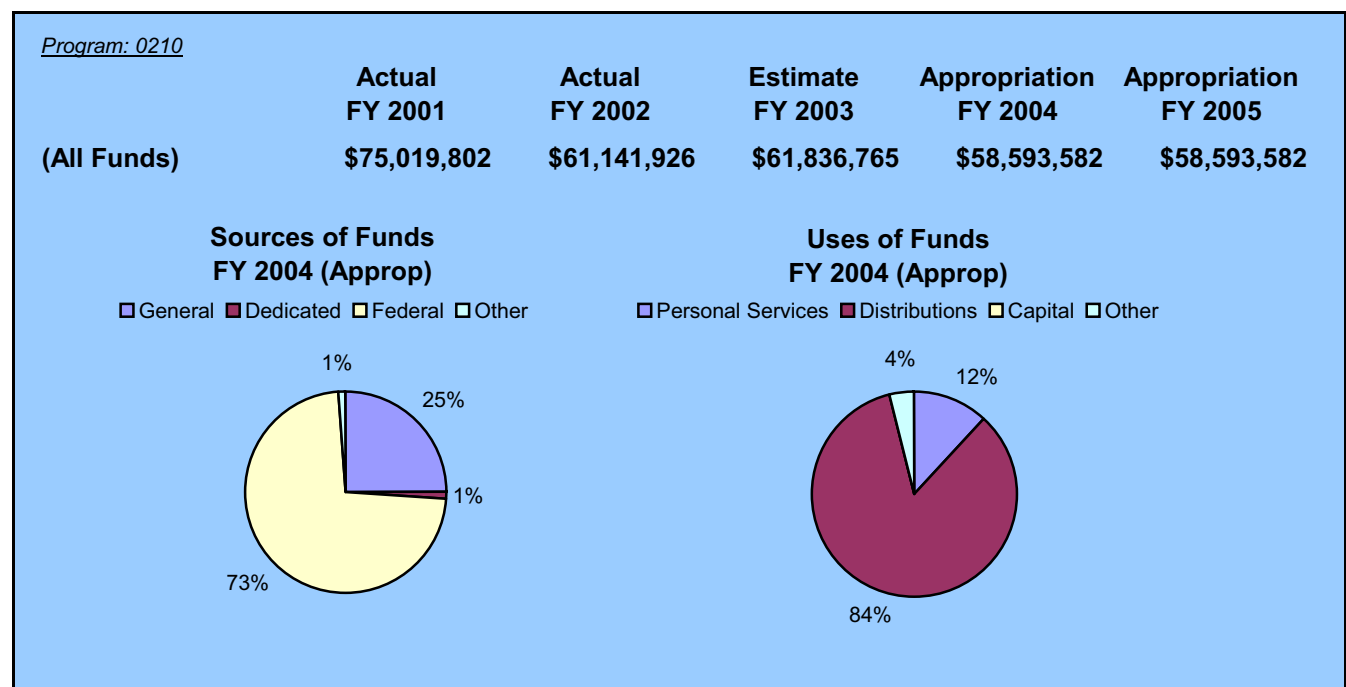


During the last biennium, ICCSV conducted regional training sessions to educate potential applicants on the requirements and stipulations for receiving AmeriCorps funding. The outreach efforts resulted in higher-quality proposals submitted to the ICCSV and enhanced programmatic success.

Plans for the Biennium

IDOC will continue its efforts to promote livable communities and improve the quality of life for Hoosiers by providing financial assistance to eligible communities through the CDBG program. CDBG funds can be used for local planning activities and for the direct costs of environmental infrastructure (waste and sewer) improvements, housing assistance to low- and moderate-income families, special purpose facilities such as daycare centers, job training assistance to upgrade the skills of low- and moderate-income workers, and brownfield remediation activities.

The department will also assist in providing local services to needy citizens through NAP. In addition, with continued funding by the General Assembly, the IDA program will further aid low-income Hoosiers by helping them establish saving accounts for home purchases, educational and training expenses, and the start-up or purchase of their own business.



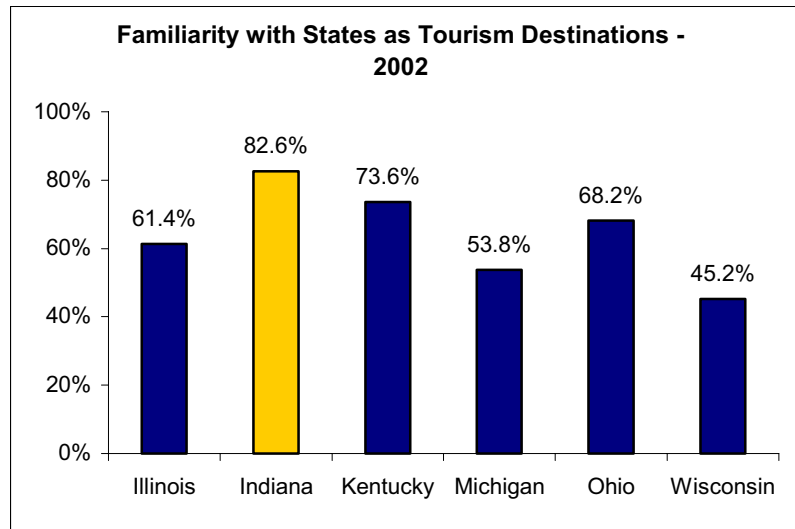
Tourism Promotion

Mission

To promote the state's history, heritage and culture through the development and marketing of quality travel experiences in Indiana.

Summary of Activities

The **Indiana Department of Commerce (IDOC)** promotes Indiana as a travel destination to residents and out-of-state travelers and provides development programs for Indiana's tourism professionals. The IDOC marketing strategy includes multimedia advertising campaigns, the www.enjoyindiana.com website, publication and distribution of more than 5 million travel guidebooks, public relations activities, sales to the domestic and international tourism trade, eight staffed Welcome Centers, and regional marketing cooperatives. Tourism professionals benefit from print and electronic marketing cooperatives, research and literature distribution through the state's Welcome Centers, tourism development programs, attraction signage support, technical assistance, and educational workshops.



External Factors

Indiana's tourism industry includes state parks and recreation areas, museums, historic sites, zoos, nature parks, amusement and theme parks, golf courses and marinas, performing arts, gaming, amusements and recreation, hotels, full- and limited-service eating places, recreational goods rental, racetracks, RV parks, campgrounds, taxi/limo services, charter bus services, retailers, passenger car rentals, gasoline stations, and other travel and recreation related businesses.

The September, 2001 terrorist attacks and the following economic downturn had a significant effect on the travel industry, resulting in fewer travelers who spent less and took shorter trips. Air travel anxiety crippled the airline industry and corporate America adopted stricter business travel policies. However, positive trends have emerged for leisure travel, such as a booming RV sales and rental market, continuing increases in weekend getaways, and a surge in patriotic and historic travel. Indiana has benefited as a "close-in, drive-to" destination for the Midwest.

Indiana has seen growth in most sectors of its travel economy over the past five years. According to D.K. Shifflet, supplier of the nation's largest travel performance index, Indiana's visitor volume has been on the rise since 1997. During the same period, visitor spending increased by 29% to \$8.5 billion in 2001, supporting 120,000 FTE (Full Time Equivalent) jobs for Hoosiers.

Evaluation and Accomplishments

The IDOC employs independent research studies to measure the economic impact of visitor spending, travel volume and market share. It also tracks numbers of consumer inquiries and the percentage of advertising respondents who convert into actual travelers.

The state of Indiana realizes \$107 in visitor spending and \$6.42 in sales tax receipts for every \$1 invested in marketing. More than 54 percent of the people who respond to advertising and request travel information take an overnight trip to the state. The total percentage of respondents that become travelers has increased more than 40 percent since 1995, attributable to a more market-focused advertising strategy.

Recent research shows that Indiana ties with Kentucky among regional competitors as the state most likely to be considered for a visit, proof that proximity to large markets offers opportunity. A 2002 brand awareness study showed that the Enjoy Indiana logo had the highest percentage of recall among the logos of Great Lakes states.

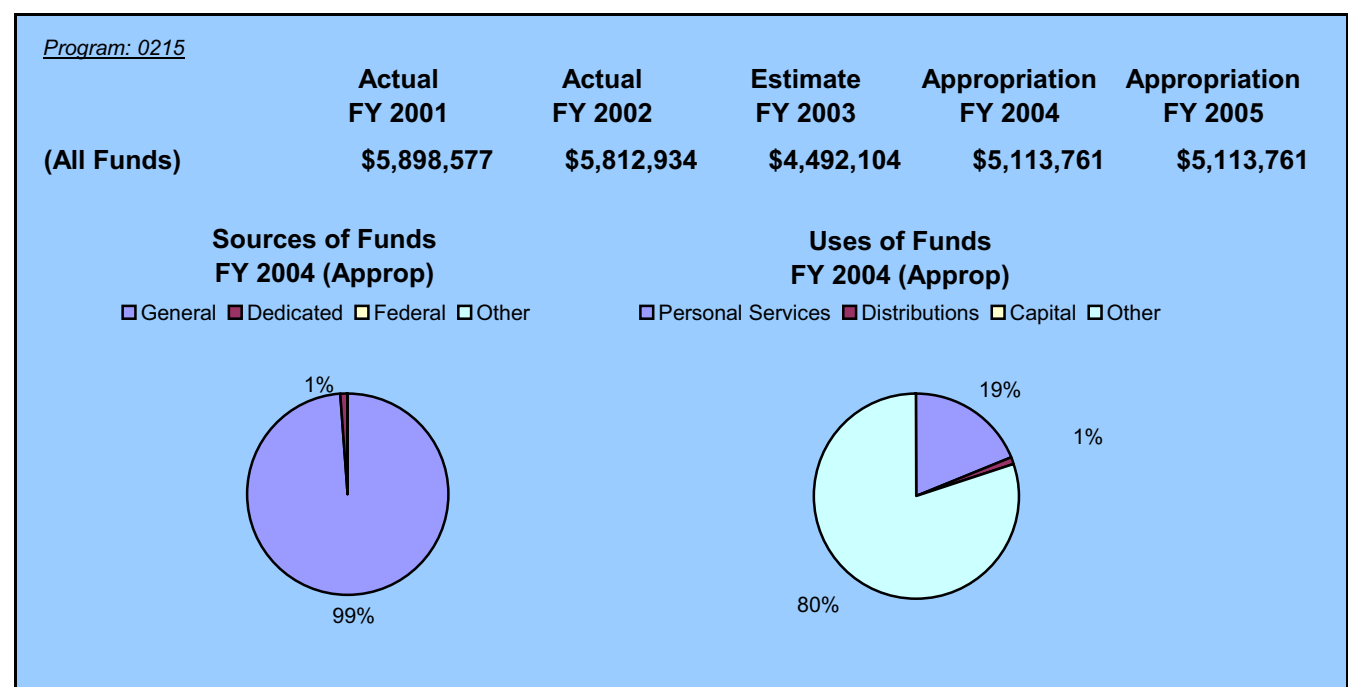
In 1996, Indiana Tourism contracted with six regional sales staff for cooperative tourism programs. In FY 2002, this program raised more than \$2.1 million from 1,200 partners to supplement Tourism's marketing budget, an 86 percent increase in private/local investment since 1998.

In 2002, the Indiana Travel Guide was ranked as the best in the nation in an independent, comparative study conducted by Randall Travel Marketing of North Carolina. Tourism successfully deployed a new database-driven trip planner on EnjoyIndiana.com that combined several sets of data into one truly "single-source" database, provided more ways to search and faster load times, and implemented online applications for industry partners. The Leaf Cam, a fall promotion that captured digital images from six scenic locations and transmitted them in real time to the website, received 170,000 views and generated direct sales of more than 500 weekend packages.



Plans for the Biennium

The IDOC is concentrating on stimulating visitor spending in Indiana through the development of Indiana's image as a travel destination. New advertising campaigns will focus on image-building and positioning Indiana as the preferred midwestern travel and lifestyle destination. The goal is to create a new model that encourages capital investment in tourism attractions and facilitates new partnerships and products. Market segments in which Indiana falls behind in terms of visitor spending share will be addressed. For example, three formerly competitive groups are coming together to create the definitive print and electronic guides to outdoor recreation in Indiana that will be launched with an aggressive marketing campaign in 2005.



Worker Education and Training

Mission

To provide Hoosiers the lifelong learning and training resources they need to improve their skills, employment, quality of life, and standard of living, while providing employers with the highly skilled workforce they need to compete in the modern economy.

Summary of Activities

Worker education and training programs benefit people who are either unemployed or looking for a better job, as well as workers seeking education, training or career information. Employers who need workers, labor market information, or job-training funds also benefit.

The **Department of Commerce (DOC)** Skills 2016 program has provided funds for new and existing businesses to train and retrain Hoosier workers in basic, transferable, and company-specific skills. These funds have mainly been spent on investing in the expansion of existing Indiana companies and retraining existing workers in new technologies.

The **Department of Workforce Development (DWD)** is the state government agency that helps Hoosiers find jobs, keep jobs and advance in their careers. In addition, DWD assists Indiana companies in creating new jobs, improving workers' skills and providing opportunities through education and training. Programs like Advance Indiana reaffirm Indiana's commitment to developing the finest workforce for the future in fields such as advanced manufacturing, life and health sciences and information technology, and reflect the O'Bannon/Kernan Energize Indiana Plan.

The **IMPACT program** administered by the Family and Social Services Administration (FSSA) is a welfare-to-work initiative that helps recipients of food stamps and income assistance achieve economic self-sufficiency through education, training, job search, and job training services. IMPACT is designed to address a broad range of barriers to employment, utilizing case managers to develop individualized employment plans, and providing supportive services such as transportation and child care.

External Factors

The local worker training and education system is almost entirely federally funded, and federal resources have recently declined. Reduced resources threaten the ability to maintain services and improve technology to make those services more accessible. The majority of federal funding is contained in categorical programs that can only be used for people who meet narrow eligibility requirements. Some individuals may be served by more than one program. This makes it more difficult to focus resources on local needs.

- Each federal program has a unique set of data collection and performance standards and measures, making comprehensive measures difficult to achieve.
- The national recession and slow recovery has resulted in a decline in high-wage, low-skill jobs, thus a demand for on-going worker education and training continues to grow.
- Traditional industries in Indiana such as steel, auto, airline and related manufacturing have shed jobs in recent years requiring continued need for re-training.
- New technologies and growing global trade continue to change the nature of Indiana's manufacturing sector and the skills needed to operate highly technical machinery.
- Many new immigrants would also benefit from education and training ranging from basic English proficiency to the advanced skills needed to obtain high skill, high wage jobs. Indiana's immigrant population is increasing rapidly, creating a growing need for training in workplace diversity for employers and workers.



Evaluation and Accomplishments

- In 2002, Advance Indiana was recognized by the Council of State Governments as one of the premier incumbent-worker training systems in the country. In 2002, training was provided for almost 25,000 Hoosiers at a cost of \$42.7 Million. This investment helped in raising the skills of Hoosier workers across Indiana.
- Return-on-investment studies have shown the positive impact worker training funds are having on company profitability. DWD has incorporated ROI study of selected grants to Indiana companies to measure the impact of worker training assistance.
- Over 15,000 Certificates of Technical Achievement were awarded by DWD to Hoosiers who completed technical training to further their careers.
- Through DWD more than 340 teachers received workplace internships in 2002 to help them design and implement work-based curricula in their classrooms.

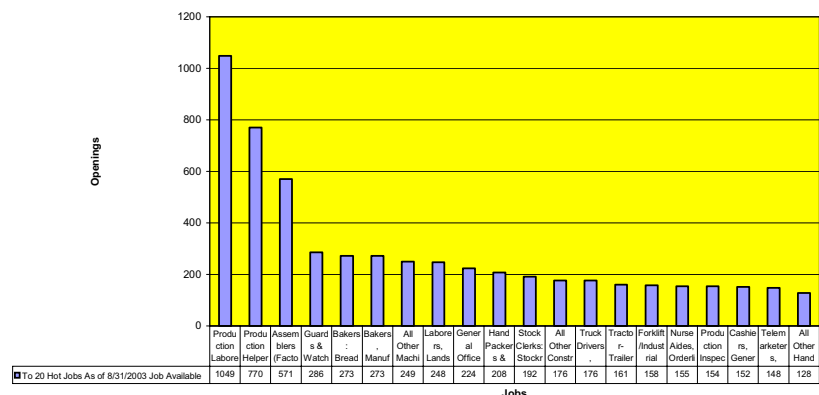
Plans for the Biennium

The goal of DWD is to promote lifelong learning and to help Indiana's employers and workers evolve with the changing times. DWD is focused on keeping Indiana working through innovative programs and services that meet the needs of both Hoosier workers and businesses in today's sophisticated workplace.

In the next biennium, with the passage of the Energize Indiana plan, DWD will have additional tools to sustain an on-going mission of lifelong learning.

Working with its sister state agencies, DWD hopes to continue providing the resources for Hoosier workers to secure high-skill, high-wage, high-demand jobs.

Top 20 Indiana Jobs With Openings As of 8/31/2003

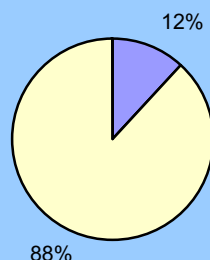


Program: 0220

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$161,071,540	\$180,442,436	\$177,728,276	\$207,579,680	\$207,579,680

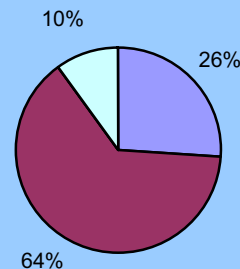
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Unemployment Insurance

Mission

To provide income maintenance to individuals unemployed through no fault of their own, helping them bridge the gap between becoming unemployed and returning to work.

Summary of Activities

Unemployment insurance programs are administered by the **Department of Workforce Development (DWD)** and overseen by the Unemployment Insurance (UI) Board. The Board is also responsible for presenting an annual report to the Governor regarding the program and the status of three Unemployment Insurance Funds: the Unemployment Insurance Trust Fund, the Employment and Training Services Administration Fund, and the Special Employment and Training Services Fund.

The amount of UI benefits an individual is eligible to receive is determined by the amount of wages earned during their “base period”, which is comprised of the first four of the last five previous calendar quarters. A minimum of \$2,750 must have been earned during the base period to qualify for benefits. The benefit amount is calculated by multiplying the highest wages earned in any one of the four quarters in the base period by two separate but specific percentages. In the fiscal year 2003, no more than \$8,216 of wages may be counted per quarter. This amount increases to \$8,733 in FY '04 and \$9,250 in FY'05 due to a legislative increase in benefits in the 2003 session. A worker may receive benefits for a maximum of 26 weeks, but the benefits may be received during a 52-week period if the worker finds employment but is then laid off again.

The UI system is financed by the state unemployment tax, which is collected from Indiana employers. The unemployment tax rate is determined annually by a statutory schedule, and varies depending on the balance of the UI Trust Fund, the balance of the employer’s account, and the amount of unemployment charges to the employer. The DWD collects all unemployment taxes from employers and distributes all UI benefits to workers.

The Special Employment and Training Services Fund is derived from penalties and interest collected on employers’ delinquent Indiana unemployment insurance taxes. The UI Board may use this fund for limited administrative costs and unemployment prevention programs.

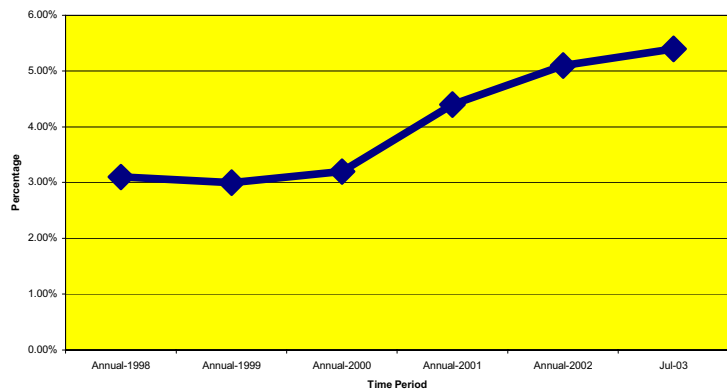
External Factors

Unemployment insurance expenditures are highly dependent on changes in economic conditions and the overall health of the national economy. The annual benefit pay out has increased significantly since the national recession that started in early 2001 and was accelerated by the tragic events of September 11, 2001. The increase in benefit payouts have caused the UI trust fund balance to decrease. However, the fund has remained solvent. Because Indiana’s unemployment rate has increased with the national trend, the payment of unemployment benefits has increased and it is a demanding and challenging time for the Unemployment Insurance Services. Increased worker benefits and Internet applications have been implemented to ensure that the unemployment services are easily assessable to the customer.

Evaluation and Accomplishments

➤ A program to provide unemployment benefits to victims of Domestic Violence was implemented July 1, 2003.

**Indiana Unemployment Rate
CY 1998-June 2003**

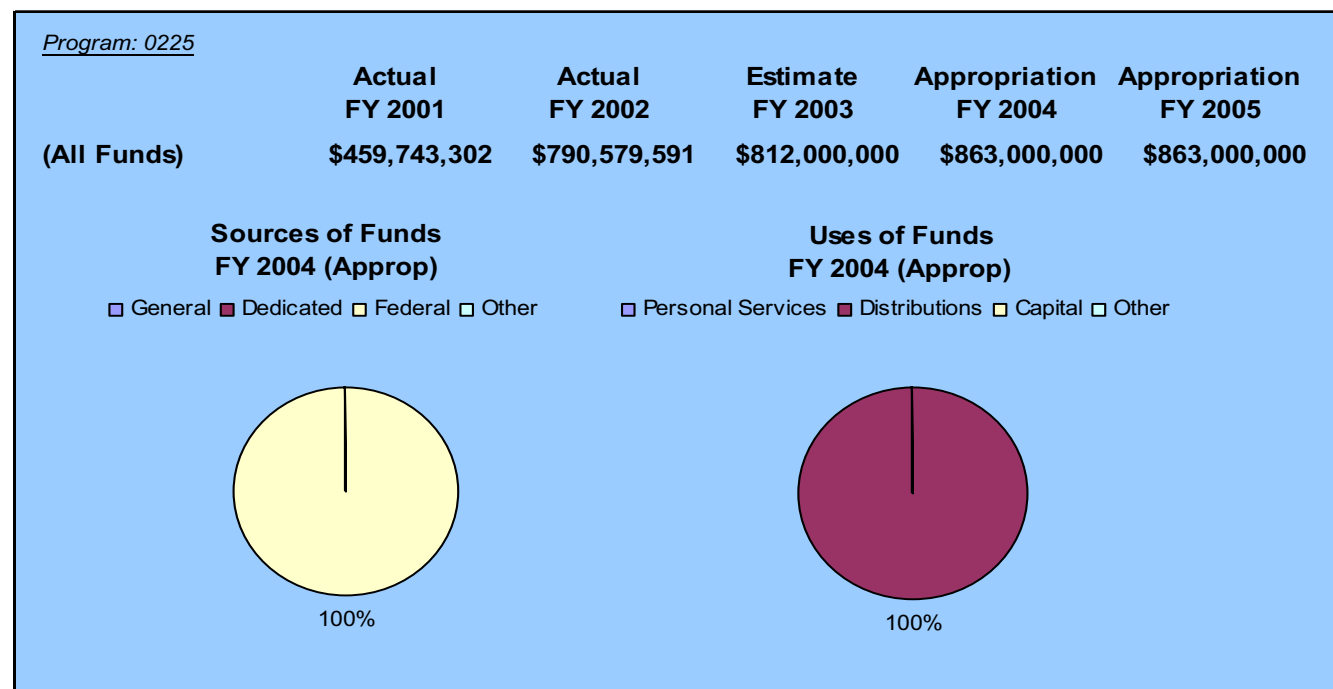


- The UI Roundtable was formed and consists of 40 workers from executive, managerial, and front-line staff. The accomplishments of the workgroup include improvements in communication, customer service and performance and the development of strategic plans for the increased workload.
- Continued claims were implemented on the Internet to reduce the timeframe for issuing the weekly unemployment checks, resulting in 50% of eligible claimants utilizing the Internet application. Between January 2002 and June 2003, over 3.6 million continued claims were processed via the Internet.
- Indiana was the first state to implement Temporary Extended Unemployment Compensation (TEUC) and Temporary Extended Unemployment Compensation Airlines. Both programs are an extension of regular UI benefits paid for with federal funds and administered by DWD.
- UI Modernization Project will begin in the fall of 2003.
- DWD has achieved eighteen of the twenty-five Desired Levels of Achievement as defined by the US Department of Labor.
- A new remittance and document tracking system was implemented to improve customer service to employers. This system provides an audit trail of completed and in-process employer account activities.
- The UI Board approved funding for the Advance Indiana incumbent worker training initiative and high-tech training funds, in cooperation with the Department of Commerce.

Plans for the Biennium

The Unemployment Insurance Modernization project represents a major endeavor for DWD. This modernization, authorized in the O'Bannon/Kernan Energize Indiana Plan, will significantly improve performance in the delivery of benefits and the processing of employer taxes. Through information technology, customers will have easy access to the resources they need at anytime from anywhere. In addition, modernizing the UI System will allow existing staff to handle larger volumes of claims and will ensure that overall customer satisfaction remains high.

The DWD has implemented initial claims filing on the Internet, which improves the timeliness of appellate decisions and payment of unemployment benefits. We will also implement the increases in unemployment insurance benefits that became law as a result of legislation passed by the Indiana General Assembly during the 2003 legislative session.



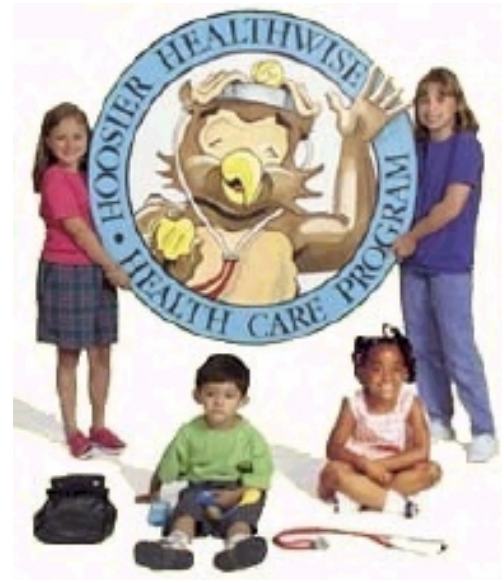
Medical Assistance

Mission

To provide high quality, cost-effective health care services for Hoosiers in need, and to promote and protect public health.

Summary of Activities

Medical assistance programs provide access to health care for underinsured and uninsured individuals. Those services include physician services, prescription drug assistance, immunizations, nursing home care and public education and outreach. The **Family and Social Services Administration** (FSSA) oversees the Medicaid program, which provides health coverage to low-income persons. The Hoosier Healthwise program, a component of Medicaid, provides free and low-cost comprehensive health care services to children, pregnant women, and low-income adults. The coverage includes primary, preventative, and specialty medical care. Legislation in 1999 created the Children's Health Insurance Program (CHIP) and expanded Hoosier Healthwise eligibility to uninsured children in households with incomes less than 200% of the federal poverty level. In June 2003, 593,206 people received healthcare coverage through Hoosier Healthwise, of which 477,709 (81%) were children. Medicaid also provides a wide range of health care services to non-institutionalized aged, blind, and disabled persons. In FY 2003, Medicaid spent \$2.2 billion on non- long term care services. The HoosierRx Program continues to provide prescription drugs to seniors based on need and income level.



The Indiana Comprehensive Health Insurance Association (ICHIA) was created by 1981 legislation and continues to act as a safety net for Indiana citizens that are unable to obtain medical coverage in the open market. The association offers a comprehensive medical coverage package to qualified individuals.

FSSA continues to collaborate with the **Indiana State Department of Health** (ISDH) to administer the First Steps program, which provides services to infants and toddlers under age three who have developmental delays. From April 2002 to March 2003 First Steps served 18,792 children. ISDH administers the AIDS Drug Assistance Program and other medical assistance programs specialized for the HIV/AIDS population. The Children's Special Health Care Services program at the ISDH continues to provide primary, specialty, dental, prescription coverage, speech, occupational, and physical therapy, and travel reimbursement services to children who are financially and medically in need of care as a result of a chronic illness or disability. The ISDH also coordinates programs to promote the early detection of breast, cervical, and prostate cancer.

These programs are in addition to medical services provided by FSSA's, ISDH's, and the Department of Correction's institutions.

External Factors

Medicaid enrollment increases during periods of low or negative personal income growth. As such, over the past biennium, Medicaid enrollment increased significantly, driven primarily by the weak economy. The sharp climb in enrollment combined with increases in medical inflation, the advance of new medical technologies, and development of new pharmaceuticals have created sizeable budget pressures, resulting in the need to implement aggressive cost containment measures.

Evaluation and Accomplishments

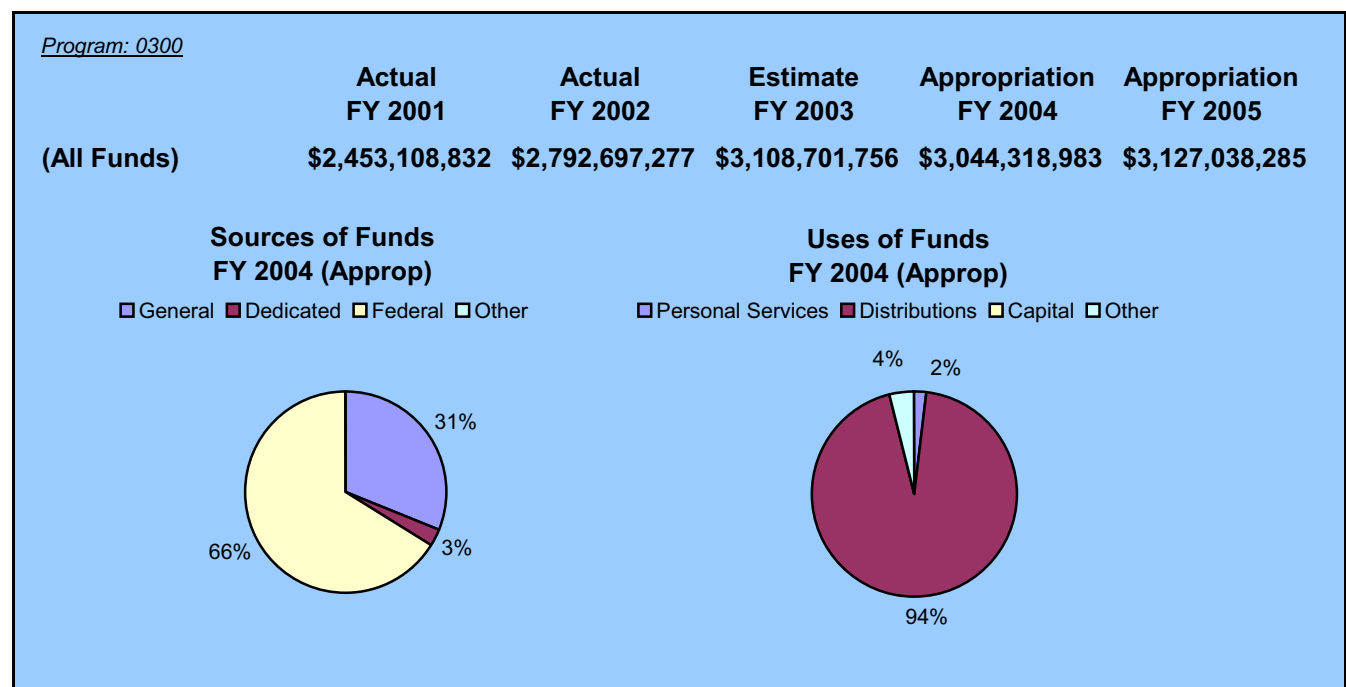
FSSA and ISDH have an ongoing partnership to promote high quality health care and services for the children and families of Indiana. Hoosier Healthwise customer satisfaction surveys continue to show a high satisfaction rate. In the 2002 survey, 92% of those surveyed rated the program as “good” or “very good.”

In 2002, Medicaid expanded the managed care program to include recipients who are aged, blind and disabled. The program, *Medicaid Select*, works with community partners to ensure that aged, blind and disabled recipients continue to receive quality medical care in a more coordinated manner. Another new program implemented in 2002 that is designed to help disabled recipients is the MEDWorks program. MEDWorks allows disabled individuals who are employed to buy-in to Medicaid and continue to receive medical service.

In 2003, Medicaid and ISDH implemented the Indiana Chronic Disease Management Program (ICDMP). The ICDMP helps Medicaid recipients with chronic illness, such as diabetes, congestive heart failure or asthma, better manage their health by working with nurse care managers and receiving patient self-management training. The ICDMP earned the Improving Chronic Illness Care Vision Award, sponsored by the Robert Wood Johnson Foundation. ICHIA also maintains a chronic disease management program.

Plans for the Biennium

A key priority for this biennium is to improve health care utilization, quality, and outcomes. The ICDMP will be a major area of focus and will expand to include Hypertension, Stroke, and HIV/AIDS. FSSA and ISDH will also strive to increase pediatric and dental provider access for Indiana’s underserved populations and to continue increasing well child visits, vaccination, and lead screening rates for children. Steadfast in his commitment to help seniors with the increasing costs of prescription drugs, Governor Kernan will continue to support the HoosierRx program and ensure that this program is revised to work with the recently passed federal Medicare legislation. Another key initiative of this biennium is the Indiana Long Term Care Insurance Program (ILTCIP). The ILTCIP offers Hoosiers a chance to purchase long term care insurance and protect their assets should they need long term care in the future. Indiana is one of only four states to offer Medicaid asset protection, and FSSA is committed to increasing the number of ILTCIP policyholders by 15,000 over this biennium.



Income Assistance

Mission

To provide temporary financial assistance to low-income families with dependent children in concert with appropriate social services to encourage and support the child's parent or caretaker to achieve greater financial independence through employment and child support collections.

Summary of Activities

Temporary Assistance for Needy Families (TANF) is one form of income assistance administered by the Division of Family and Children of the **Family and Social Services Administration**. TANF assistance is available for the support of a dependent child under the age of 18 who lives with a parent or relative. Eligibility requirements include income and asset limitations, pursuit of employment by the parent, immunization of minor children, the children's attendance at school, a prohibition of controlled substance use by the parent, and the parent's maintenance of a safe and secure home environment for their children. Parents who are able-bodied are limited to receiving assistance for a period of 24 months. The parents and/or caretakers of the families receiving assistance are also provided case management, employment and training services, support services, and child support enforcement.

The Child Support Program provides the custodial parent appropriate establishment and enforcement of support and provides the non-custodial parent with fair and accurate accounting of their child support obligation. Child support services are generally accessed through the County Prosecutor's Office.

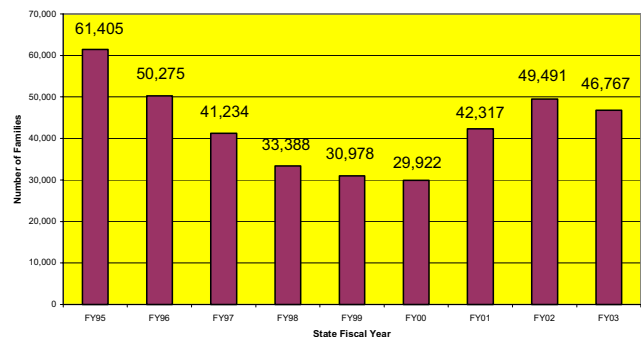
Income assistance is also provided to low-income Hoosiers through the Individual Development Account (IDA) program, administered by the **Department of Commerce**. The IDA program provides low-income Hoosiers with the opportunity to invest money in a savings account. For every \$1 invested by a qualifying individual at a participating financial institution, a state match of \$3 is provided – up to a maximum of \$900 per year. The funds accrued in the account may be used for one of four purposes: attending an institution of higher education, pursuing accredited training, buying a home, or starting or buying a business.

External Factors

The success of the economy and the prevalence of social problems influence the number of families served and the type of services provided. Due to a healthy state economy, Indiana was able to help the parents and/or caretakers of low-income children to acquire employment and leave the assistance rolls, resulting in a decline in the number of TANF families of 51% from Federal Fiscal Year 1995 to Federal Fiscal Year 1999. Although changes in eligibility policy contributed significantly to this decline, the decline would not have been as pronounced without the support of a strong economy.

With Indiana's economy struggling, the Division of Family and Children (DFC) has seen a decrease in the number of people who are able to acquire and keep jobs, while the number of families receiving TANF is increasing. DFC caseworkers and policy staff are continuously discussing the challenges in providing effective services to those families returning to and remaining on assistance. Substance abuse, chemical addiction, and domestic violence are reported as common problems among those parents remaining on assistance. Additional concerns are expressed regarding the low education and skill levels of the parents in addition to health, behavioral, and educational issues affecting the children in these families.

Families Receiving TANF Assistance



Evaluation and Accomplishments

The DFC has used a third-party evaluator, Abt Associates, to evaluate the progress of its income assistance programs. To date, the agency has learned that welfare reform has been successful in reducing families' dependence on assistance. However, the income of these families is only enough to replace the assistance payments they had received previously. Consequently, many families remain financially vulnerable and are returning to assistance with the first financial crisis they face, thus leading to a dramatic increase in the number of families receiving assistance in the last two to three years. Based upon the findings, the DFC made program improvements to support families as they transitioned off of TANF and to serve those remaining on assistance.

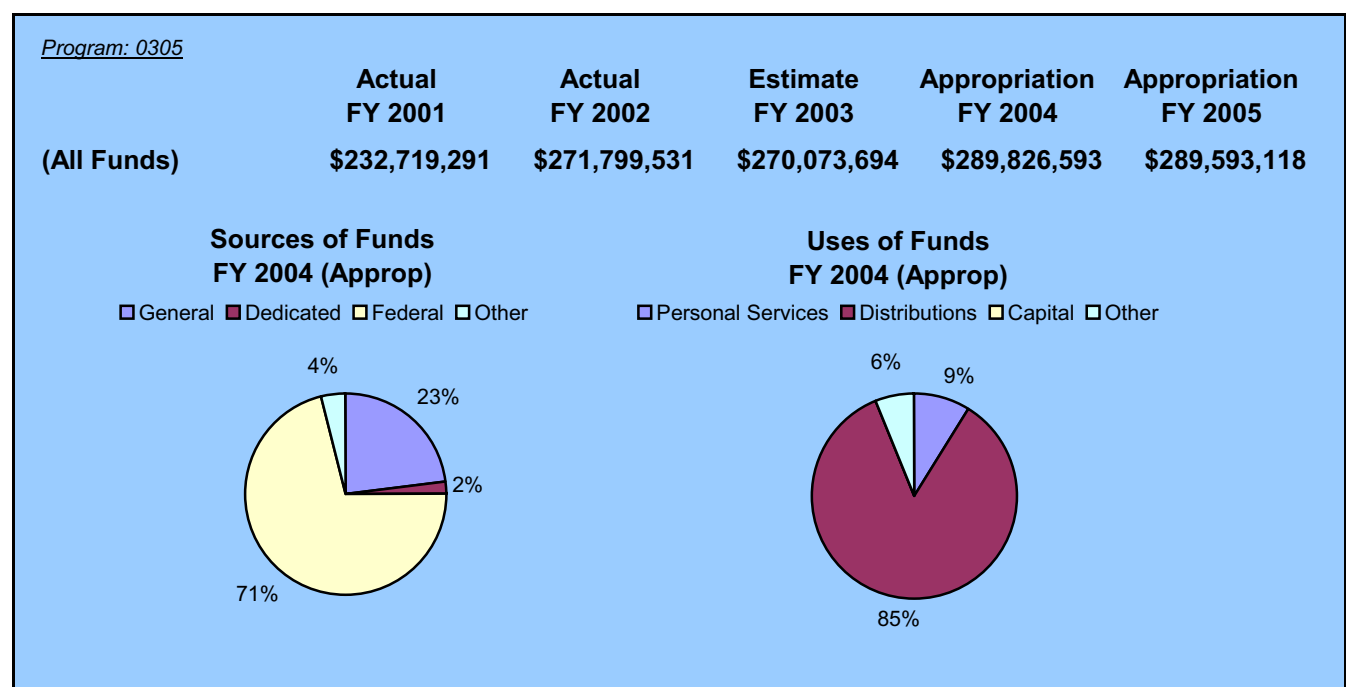
DFC has responded to increasing caseloads and changing needs of those remaining on assistance by offering services that address the special needs of families, focusing on collaboration with local providers and integration of services and programs in a comprehensive manner. DFC's response is demonstrated through initiatives such as implementing performance-based contracts for employment and training service providers, policy changes that encourage participation in employment, and a 355% increase in child support collections distributed since 1989.

Plans for the Biennium

Over the next biennium, the DFC plans to continue to enhance service delivery to very low-income families by:

- 1) Improving the quality of services provided to families through TANF and other assistance programs by focusing services on those families that have remained on or returned to TANF. DFC will also work to better integrate programs within DFC and across FSSA.
- 2) Expanding the type and scope of services available to families who continue to receive benefits under the cash assistance program with special attention to the development of services for families who have been victimized by domestic violence, are homeless, or face multiple barriers to work. Service expansion will include the development of intensive case management and other support services.

The federal TANF block grant was due for reauthorization by October 2002 and is still pending in Congress. The agency will continue to work with other states to influence program changes which are more responsive to the needs of the people served and the activities of the state which provide the services. At the time of publication, it appears likely that any reauthorization will result in federal funding either decreasing or remaining frozen at current allocation levels at a time when state requirements are increasing. This could result in fewer federal dollars to support families as they transition from welfare to work to self-sufficiency.



Food Assistance

Mission

To eliminate hunger and malnutrition for low-income families in Indiana by way of food pantries, public meal providers, and the food stamp program.

Summary of Activities

The Emergency Food Assistance Program (TEFAP) is operated contractually with 12 Distributing Recipient Agencies across Indiana. These organizations contract with approximately 410 food pantries, 754 soup kitchens, and 53 combination food pantries and soup kitchens. The soup kitchens and food pantries serve 219,387 meals and 59,096 households each month.

Indiana orders food commodities on a quarterly basis through the U.S. Department of Agriculture (USDA). USDA products are valued at approximately \$8.2 million and include fruits, juices, cereals, grains, meat, and vegetables. Indiana TEFAP pantries also provide paper products, cleaning supplies, health products, diapers, baby food, and other items for household use. There is at least one food pantry in every Indiana county. Volunteers maintain and operate the pantries. The income guideline for eligibility is 150% of the federal poverty level and Indiana uses a self-declaration certificate to determine eligibility.



The food stamp program is designed to raise the nutritional level of low-income households by supplementing their available food purchasing dollars with food stamp benefits. The Family and Social Services Administration, Division of Family and Children (DFC) offices in each county determine eligibility for food stamp benefits. The federal government through the United States Department of Agriculture (USDA), Food and Nutrition Service, establishes the guidelines for the food stamp program. However, the DFC has sought and obtained waivers designed to tailor the program to better meet the needs of Indiana residents and to establish financial and non-financial eligibility requirements as well as monthly benefit levels. The federal government funds 100% of the benefits and 50% of the administrative costs.

During the past year, Indiana's food stamp participation has increased by nearly 18% to approximately 208,000 families. These families receive an average monthly benefit of \$204, or \$86 per person. In addition to these benefits, job training and nutrition education programs are available to food stamp recipients. Some food stamp clients also receive supportive service payments such as transportation and child care while in food stamp work programs.

External Factors

TEFAP is primarily dependent on the volunteer force to dispense a choice of all food and non-food items. It is estimated that 10,000 volunteers are needed to operate TEFAP. The volunteers are continually trained to be kind and non-judgmental toward program participants. This can be very difficult in rural areas and small communities where the number of volunteers are small and everyone in the community knows each other.

The food stamp program is subject to ongoing policy and rule revisions by the USDA, which often result in additional state costs for hiring and training staff, software development, and the printing of forms and notices. Because food stamps are an entitlement under federal law, the DFC must process and provide benefits to all eligible families according to federal guidelines.

Evaluation and Accomplishments

Indiana has experienced significant growth in TEFAP. The state has gone from a statewide one-day distribution with cheese as the only product to pantries with extensive product choices available to clients. Educators with the food nutrition program that are based in county extension offices throughout the state have strived to provide cooking demonstrations and one-on-one cooking, food safety, and housekeeping skills.

Recent research indicates that food stamp participation rate is dropping faster than the poverty rate. This has led to the conclusion that many eligible food stamp recipients are not utilizing the program and are therefore experiencing “food insecurity.” To address this problem, the DFC held public meetings to identify barriers to participation and designed a food stamp education plan for low-income families and senior citizens. As a result of this and other initiatives, an increase of 3% to 5% in the number of eligible families is expected in the 2004-2005 biennium.

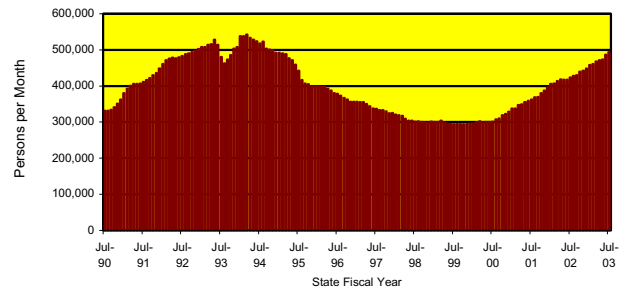
In a few short years the food stamp program in Indiana has increased payment accuracy from less than 85% to nearly 94%. Increased training and attention to program improvements has led to national recognition of the DFC as a leader in food stamp administration. Next year’s goal is an error rate of less than 5%.

Plans for the Biennium

The Emergency Food Assistance Program of Indiana continues to work on a system that will relieve food insecurity for Indiana individuals and families. Indiana continues to enhance the cooperation among food banks, Community Action Agencies, faith-based organizations, and other local service providers in the delivery of USDA food products and non-USDA food and non-food items.

With the increased need for food and non-food items in the outlets, Indiana will continue to expand and make changes that will augment the program in the next Biennium. These changes may include the elimination of very small outlets across Indiana, which will allow remaining emergency food organizations to provide more extensive and comprehensive services to their clients.

Food Stamp Program Caseloads
Persons Served per Month, SFY 1991 to SFY 2003

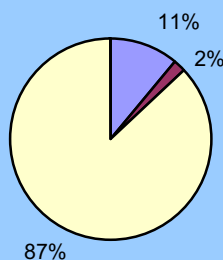


Program: 0310

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$295,855,559	\$316,631,291	\$326,255,804	\$331,030,393	\$330,841,849

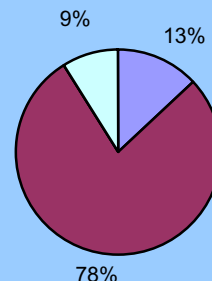
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Shelter Assistance

Mission

To establish a network among housing-related programs that includes emergency shelters, transitional housing facilities, rental housing, home ownership, heating/cooling assistance, and home conservation assistance; while providing basic or extended support services to assist families striving to become self-sufficient and to maintain adequate shelter.

Summary of Activities

The **Family and Social Services Administration** provides various shelter-related assistance programs to families and individuals. Housing assistance is available on several levels to assist families who are in a housing crisis, to prevent a crisis from developing, and to transition families into stable living circumstances.

On a crisis level, the Emergency Shelter Grant (ESG) Program provides services to families and individuals who do not have a fixed, regular, safe place to live, or who are in immediate danger of becoming homeless. Grants to homeless shelters support the maintenance and operation of facilities to provide basic shelter, as well as services pertaining to employment, health, education, permanent housing, childcare, and job training. ESG funds also serve to prevent homelessness with such assistance as security deposits, first month's rent, utility arrearages, and mediation programs for landlord-tenant disputes.

In some instances, a family may not be in crisis but may be in need of help with shelter expenses in order to prevent falling into a crisis situation. The Housing Choice Voucher (HCV) Program (known as Section 8) provides rental assistance to very low income families and helps individuals maintain a safe and stable residence by paying a portion of the household rental expenses each month.

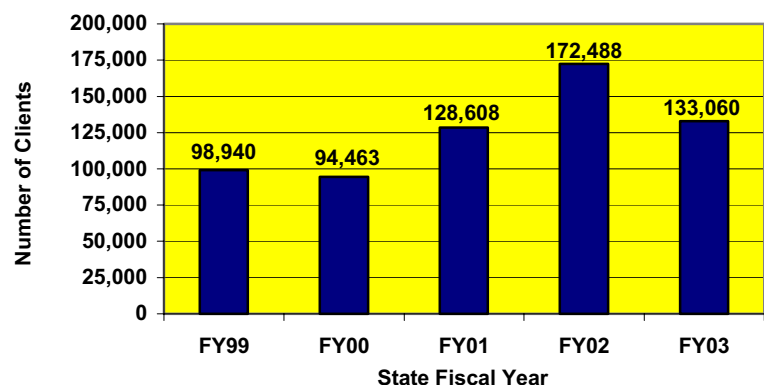
As a component of HCV services, the Family Self-Sufficiency Program utilizes public and private sector services and resources to help recipients of housing assistance achieve economic independence. By stabilizing housing and offering case management, this program permits families to invest their energy into other efforts, including education and job training necessary to achieve self-sufficiency. Participants in the program are provided with an opportunity to save for the future through an interest-bearing escrow account. After a family successfully completes the program, they can withdraw the balance to be used in any manner.

To further stabilize housing costs, the Energy Assistance Program provides utility assistance to low-income households to maintain utility service. In addition, portions of the funds are used to promote energy efficiency and conservation. Funds are allocated to home weatherization activities to eliminate energy waste. Also, energy education is a requirement for certain households to assure that the recipients of services take part in the energy conservation efforts. Maintenance of utility service leads to a more stable living environment, reduced energy costs, and the prevention of health problems related to loss of utility services.

External Factors

Several external factors impact the effectiveness of resources available for shelter assistance programs. There are inherent difficulties in obtaining a true picture of the homeless population in Indiana. Many of the families and individuals that could benefit from these programs seek housing assistance from family and friends. They are often unaware that agencies, facilities, and supportive services are available to assist them in becoming self-

**Clients Served through
Energy Assistance Programs**



sufficient. Most agencies that provide comprehensive services are located in urban areas leaving those families in rural counties few options when seeking assistance.

Increases in housing availability and costs are other external factors adding to the difficulty of providing services. Also, the energy assistance programs are also impacted by external factors including fluctuations in energy prices and extreme weather conditions.

Evaluation and Accomplishments

The array of shelter related programs has been designed to assist families and individuals at various degrees of stability in their living arrangements.

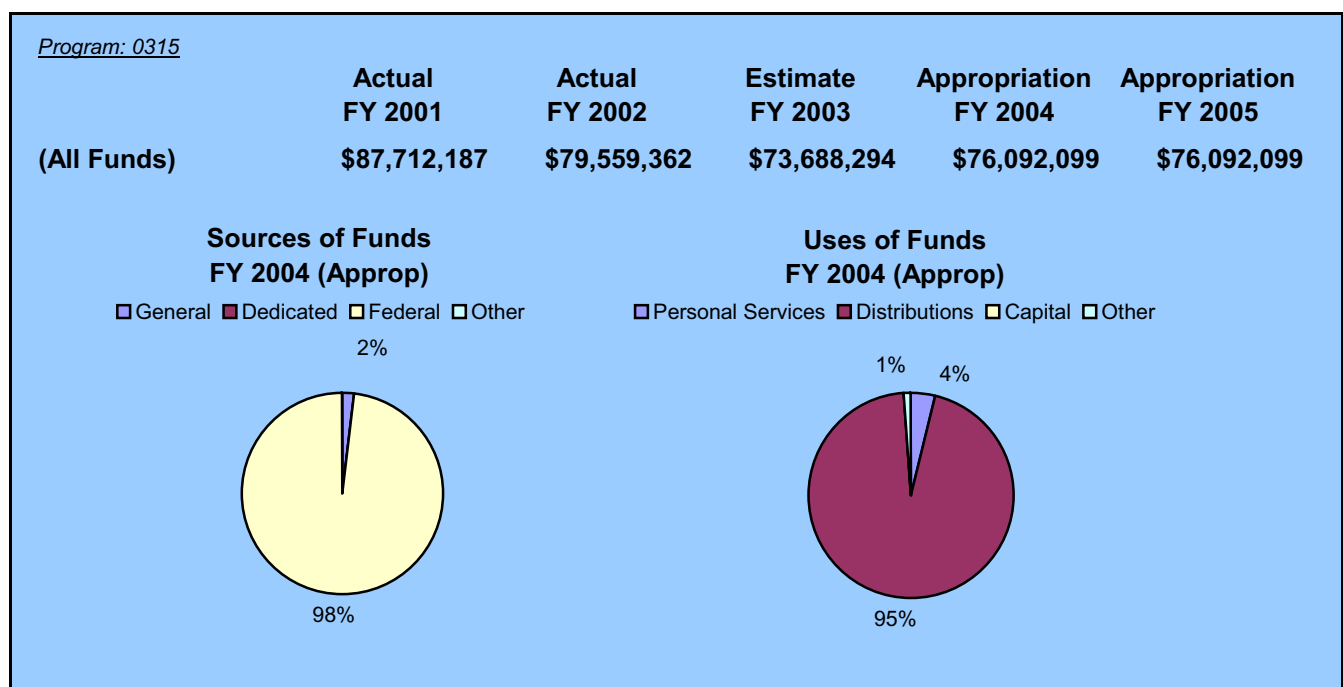
The Emergency Shelter Program provides a safety net for families who are literally without a place to live. Many shelters and other organizations continue to help those families with transitional services into a more stable living environment.

The Energy Assistance Program, for example, not only helped 127,000 households maintain utility service throughout the winter, but that assistance contributes to the stability of the family's living arrangements, which has an affect on everything from homelessness to school performance.

Likewise, the Section 8 and Weatherization programs have measures that assure that the family's dwelling is maintained at a level that is efficient and safe for family members.

Plans for the Biennium

In the next biennium, the shelter related programs will continue to establish the coordination of services to assure that low income families have safe, efficient, and affordable places to live.



Child Care

Mission

To improve developmental outcomes for all children and to help families reach and maintain economic independence by encouraging accessibility to quality child care.

Summary of Activities

To further this mission, the Division of Family and Children (DFC) of the **Family and Social Services Administration** focuses on four main areas: child care subsidies, child care quality improvement initiatives, licensing of child care providers, and registration of child care ministries.

Funds are available for child care subsidies through a statewide voucher system. DFC contracts with a community agency in each county to administer the child care subsidy voucher program for eligible low-income families. Parents can choose from any available licensed or legally license exempt child care providers that meet the established minimum standards, including centers, homes, ministries, school-age care sites, in-home or relative care. The provider selected by the parent is reimbursed directly by a state child care claim office. Families with an annual income greater than the federally established poverty level have co-payments based on a sliding fee schedule. In July 2003, there were 16,427 families and 32,508 children authorized for child care and 2,204 children on the waiting list.



The DFC administers Child Care Development Fund dollars to improve the quality and accessibility and to increase the capacity of early childhood programs. Grant funds are awarded for these outcomes to community partnerships that can demonstrate their ability to identify, fund, implement, and sustain the proposed project. In addition, there are several statewide quality initiatives such as the Business Partnership Specialist project to build successful partnerships with the private sector, T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood INDIANA scholarships to increase the early childhood development knowledge and skills of child care providers, and Child Care Resource and Referral Services to connect families with child care in their community.

The DFC licenses child care homes and centers and is responsible for complaint investigation of child care providers. The child care licensing process provides assurance to working parents that their children are in a safe, healthy, and appropriate environment when in out-of-home care. In addition to licensing child care homes and centers, DFC also registers child care ministries. Inspections are conducted of all centers, ministries, and residential facilities to ensure compliance with health and sanitation standards.

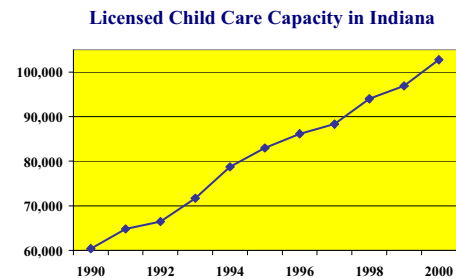
External Factors

Several trends have had a significant impact on the need for care and early education services among families. One trend has been the long-term increase of women entering the workforce. Another trend has been recent welfare-to-work reforms that limit assistance and encourage economic self-sufficiency. A third trend is the increasing concern for children to arrive at school ready to learn. Together, these societal trends indicate that the need for high quality child care is likely to increase over time. U.S. Census figures for Indiana estimate 340,868 children under the age of five and 337,067 school-age children currently need child care.

Evaluation and Accomplishments

As of May 2003, the T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood Program has provided professional development scholarships for Child Development Associate credentials and degrees in early childhood education for over 3000 providers in 89 different counties. These scholarships provide child care workers with early childhood development knowledge and skills resulting in higher quality child care for over 61,000 children. In addition, provider compensation has been increased and staff turnover has been reduced to 10% in facilities with T.E.A.C.H. participants.

Indiana's public-private partnership initiatives have seen an increase in corporate awareness and support for employee child care needs. The Indiana 'Business Partnership Specialist' initiative supports local community efforts to build successful partnerships with the private sector to enhance the quality and increase availability and accessibility of high-quality care for working families. As of May 2003, estimated total employer investment from the project is \$4,387,500 per year in child care subsidies.



Indiana's On-Line Child Care Learning is the nation's first web based opportunity for providers to earn Associate Degrees in Early Childhood Development and Child Development Associate (CDA). Over 2,000 scholarships have been awarded for college education credit towards Child Development Associate and Early Childhood Development including scholarships for college campus learning. This learning tool meets the needs of many child care providers, especially those in rural areas, who struggle to find the time and means to take advantage of professional development. This cooperative project with Ivy Tech State College and St. Mary-of-the-Woods College was established in August 2001, and already more than 100 students have chosen to use this means for pursuing professional development.

Plans for the Biennium

Over the next biennium, the child care and development system will:

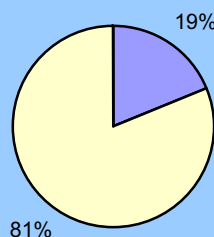
1. Continue to increase accountability and efficiency in the operation of the subsidy program.
2. Maintain financial incentives and technical assistance for licensed providers to seek accreditation; maintain financial incentives and technical assistance to encourage voluntary certification within the child care ministry community.
3. Maintain and enhance the Childcarefinder.IN.gov web site to offer parents access and the opportunity to select the highest quality of care for their children.
4. Continue investing in quality initiatives such as the T.E.A.C.H. scholarship program to improve the training, compensation, and educational status of the child care workforce.
5. Expand web-based learning opportunities for child care providers statewide, encouraging providers in rural areas to access quality early childhood training.
6. Partner with the Indiana Association of Child Care Resource and Referral to provide a higher standard of service delivery to families, child care providers and communities by establishing a new service delivery model for a statewide system of child care resource and referral agencies.

Program: 0320

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$261,718,717	\$243,961,184	\$190,275,286	\$197,142,379	\$197,142,379

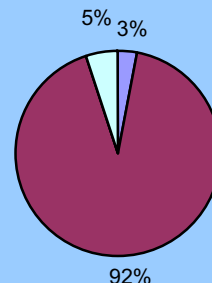
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Child Welfare

Mission

To insure the safety, health, and well being of all children throughout Indiana through the development of family preservation services, child maltreatment prevention services, and investigation of child maltreatment allegations.

Summary of Activities

The Family and Social Services Administration administers a portion of the child protection program through the local offices of the Division of Family and Children in each county. Child protective services (CPS) family case managers at the local offices investigate abuse and neglect complaints that are received 24 hours a day, 7 days a week. Through collaborative local decision-making, family case managers help determine how best to protect a child and how to provide the services needed to strengthen the child's family.



The focus of child protection has shifted in recent years to reflect an emphasis on prevention. Through identification of risk factors, local staff provides services to families in an effort to prevent or reduce instances of abuse or neglect. By consistently focusing on what is in the child's best interest, removing children from their home is often avoided in favor of family preservation or reunification. In those instances where a child must be separated from his or her parents for safety reasons, every effort is made to insure that a child is placed with a family member whenever possible.

A number of innovative and successful programs have been initiated in recent years to specifically target child abuse prevention. Some of the programs include Healthy Families Indiana, the Kid's First Trust Fund, and Project Safe Place.

In cases where a court determines that reunification is not in a child's best interest, a child may be faced with special needs – age, health challenges, member of a sibling group, or member of a minority group. The Special Needs Adoption Program (SNAP) recruits prospective families for these children. This program also assists in placing such children with loving families who will provide a safe and secure environment for them.

In addition to the programs mentioned above, the child protection program also encompasses the local Step Ahead Councils and Youth Service Bureaus. Step Ahead is a collaborative process through which local decision-makers conduct long-range strategic planning to combat children's issues facing the local community. This often facilitates the identification of common areas of concern and the pooling of local resources to address these problems. The Youth Service Bureaus function as local outlets where youths can grow and develop through innovative educational, recreational, and civic programs.

External Factors

CPS family case managers are often associated with inaccurate stereotypes held by the public and media. The procedures that workers must observe in performing their duties are not widely known, at times leading to mistrust of the system. Through increased and high quality public information about CPS processes – but not specific cases – it is hoped that greater understanding can be achieved and that this understanding can lead to increased awareness and cooperation from the public.

The establishment of Healthy Families America in the early 1990s has been a positive presence that helped move forward the formation and success of Healthy Families Indiana (HFI). HFI is a home visitation program that provides families with services that promote healthy parent-child interaction, better family health, and enhanced child development.

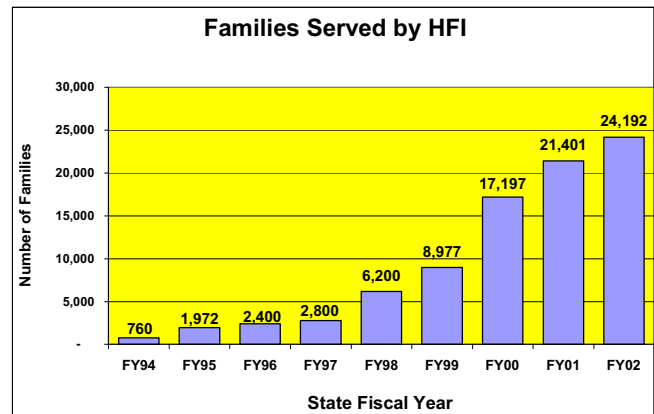
Evaluation and Accomplishments

The HFI program was launched here in 1994 and the number of families served by this program has continued to grow. In 1994 740 families were served. In 2002 15,282 families received assessments and were enrolled in Home Visitation. An additional 8,910 families received assessment and referral only. HFI has expanded to all 92 counties in the state and is considered a model program across the country. Healthy Families Indiana has been approved for national credentialing as one of two multi-site states (Indiana has 56 sites).

This type of dramatic increase in service has helped to achieve the goal of shifting the agency's emphasis from intervention to prevention of abuse and neglect.

FSSA and the local DFC offices have successfully implemented the Indiana Child Welfare Information System (ICWIS), a computer system that assists workers in assessing risk to children and provides statistical data in a number of key areas. ICWIS is one of the leading systems of its type in the nation, and its value to child protection efforts continues to increase.

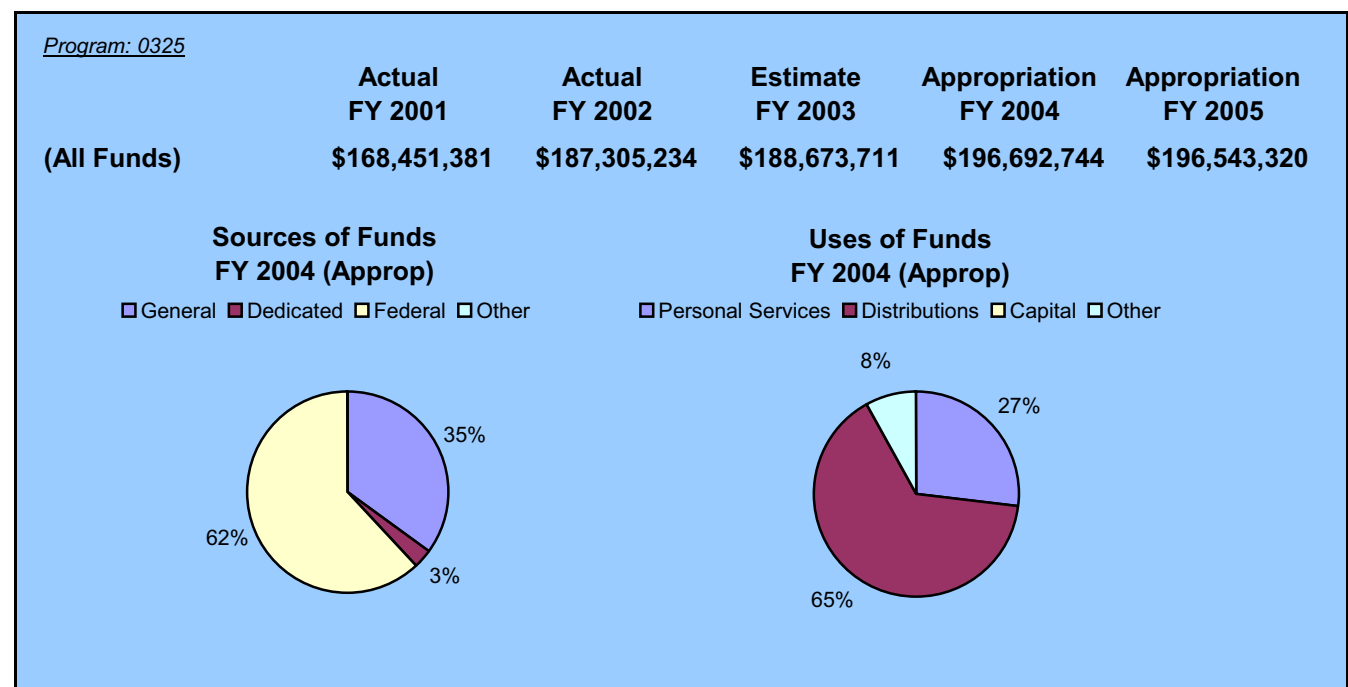
Approximately 12,500 children and their families are being actively served at any given time. Indiana's adoption initiatives have resulted in an increase of finalized adoptions from 464 in 1996 (prior to state funding launching these initiatives) to 961 in 2002.



Plans for the Biennium

Healthy Families Indiana will continue to be a priority. Goals include screening 90% of births, offering services to 100% of at risk families, and ensuring that 99% of HFI participants have no substantiated abuse or neglect. The established goal of increasing earnings and savings of families by 15% will also decrease stress-related abuse and neglect. It will also increase the likelihood that the basic needs (food, shelter, clothing and supervision) of children are met.

A cross-system delegation (Governor's Office, State Budget Agency, DOE, DFC, DMHA, and Federation of Families) submitted an application to the Policy Academy of the Georgetown National TA Center to participate in a policy academy to further develop cross-system state policy. A Real Systems Change Grant (feasibility study and development grant for community-based alternatives for children) was submitted to the Center for Medicare and Medicaid Services in July 2003. If awarded, the grant will result in a plan to further reduce residential placement of children. A cross agency ad hoc committee has developed a plan to pilot routine, standardized behavioral health and addiction screening of children who become child welfare wards.



Substance Abuse Prevention & Treatment

Mission

To reduce the costs of abuse of illegal and addictive substances through prevention and treatment, enforcement, and prosecution.

Summary of Activities

Addiction impacts citizens across all professions and stages of life. Addiction adds to the costs of insurance, medical care, and law enforcement. More important, addiction has a high cost in pain for the addicted, their families, and others harmed by the addiction. Indiana has two targets for its addictions services. Addiction services are targeted to individuals and situations where the impact of the addiction has the most negative consequences. This includes treatment services to the chronically addicted, addicted women with dependent children, impaired nurses, and impaired pharmacists. There are prevention programs aimed at prenatal and HIV substance abuse prevention.

The Department of Correction reports that over 80% of those currently incarcerated were abusing or were dependent on a substance at the time of arrest. In Jan. 2002, 20.8% of all adult inmates had one or more drug offenses and 11.5% of all juvenile offenders had one or more drug offenses. Treatment programs at the Department of Corrections, drug prosecution, and law enforcement programs help protect the non-addicted citizen from drug related crimes. The second target for addiction services are those individuals for whom services can have the most impact. After-school prevention programs are targeted to children at a point in their lives when they are most receptive to the positive messages.



About IPRC		Current Issues
Prevention		Indiana News
Drug Info		National News*
Statistics		Prevention Calendar*
Publications		Prevention Coalitions
Resources		Job Listings
Library		What's New!
Search		*Courtesy of Join Together

Prevention services are locally and regionally organized. Regional prevention collaboratives develop after-school prevention programs. Local coordinating councils assess, plan, and implement services and educational programs at the community level. Schools and county health departments become natural leaders and partners in the fight against addictions of all kinds.

The Division of Mental Health and Addiction maintains a system of managed care providers (MCPs) who are under contract to provide addictions services. These MCPs provide expertise and a continuum of treatment services to every county. These accredited organizations target the chronically addicted and many also provide treatment services to compulsive gamblers. The Division purchases specialized services in methadone maintenance, outreach to IV drug users, and services to the people who are deaf and addicted.

External Factors

Approximately 70% of addiction prevention and treatment services are federally funded, and those funds come with a series of mandates and set asides for particular services and populations. New drugs are entering the market and are being used in rural and urban settings. These emerging drugs include both those illicitly manufactured in clandestine laboratories in the U.S., such as methamphetamine and ecstasy, as well as legitimate pharmaceuticals that are diverted into the illicit drug market, such as OxyContin and Rohypnol®.

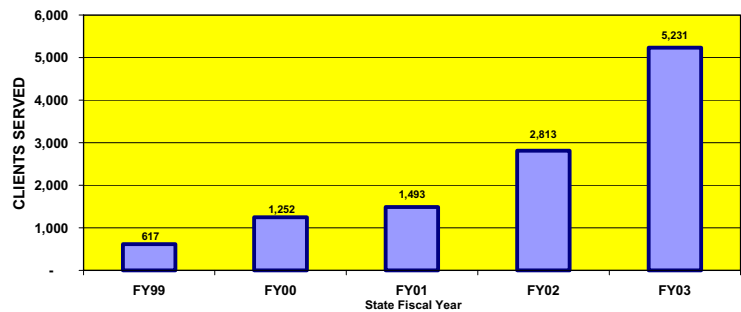
Meanwhile, new approaches that include case management and improved treatment approaches to clinical interventions, medication assisted treatment, and emphasis on recovery are being introduced across the country. The Alcohol and Drug Abuse Treatment Workforce is in transition, from one that relied on experientially trained to one that emphasizes graduate training. As compared with counselors two decades ago, more than half currently hold graduate degrees.

Evaluation and Accomplishments

The Division of Mental Health and Addiction works with key partners to reduce the sale of tobacco products to minors below 20%. In 2001, DMHA established partnerships with the Indiana Tobacco Prevention and Cessation Trust Board, the Indiana Alcohol Tobacco Commission and the Governor's Commission for a Drug Free Indiana to reduce sales to minors. The results of the tobacco inspections indicate that the state has met the 20% target and the trends continue to be lowered each year. After School Prevention programs continue to increase in both numbers served and popularity statewide. The number of children participating in SFY 2002 was 14,777, and in SFY 2003, the number was 15,078.

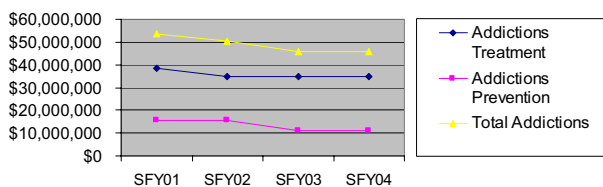
The Division of Mental Health and Addiction's treatment program for people with chronic addictions served 25,671 people in SFY 2003. Of those served 5.3% were ages 13-17, 10.5% were ages 18-20, and 83.6% were ages 21-64. Women accounted for almost 31% of the persons served.

Clients Served: Substance Abuse Prevention and Treatment



Plans for the Biennium

DMHA Addiction Prevention and Treatment Dollars



The Division of Mental Health and Addiction is beginning to implement evidence-based practices to improve treatment and prevention services.

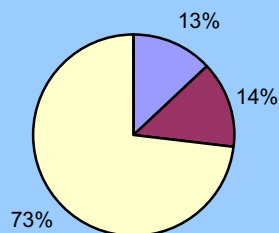
“Imagine Indiana Together: The Framework to Advance the Indiana Prevention System” is being implemented with state agencies and local communities.

Program: 0330

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$82,663,506	\$76,704,866	\$75,277,927	\$68,859,471	\$68,859,471

Sources of Funds
FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds
FY 2004 (Approp)

Personal Services Distributions Capital Other



Community Mental Health Services

Mission

The mission of Indiana's system of community mental health services is to help people with mental illness become more self-sufficient and move toward recovery.

Summary of Activities

The Division of Mental Health and Addiction (DMHA) provides or purchases mental health services for individuals most in need. DMHA has taken great strides to achieve greater accessibility and accountability in the public mental health system. DMHA contracts with a system of managed care providers that are responsible for a full range of services. Each provider is responsible for a continuum of care for people with mental illness that includes: crisis intervention, individual treatment planning, acute stabilization services, day treatment, and residential services.

Community Mental Health Centers (CMHCs) are the cornerstone of this treatment system. In state fiscal year 2003, DMHA supported services to over 48,000 adults with serious mental illness and over 23,000 children and adolescents with serious emotional disorders. This was possible in part because of the Division's close cooperation with other FSSA divisions. For example, DMHA funding has leveraged over \$5 million in federal vocational rehabilitation funds since 1995 to provide employment and training services to persons with serious mental illness. DMHA dollars also provide match to leverage over \$75 million annually in federal Medicaid dollars for the Medicaid Rehabilitation Option for community mental health services.

**President Bush said,
“...Americans must understand
and send this message: mental
disability is not a scandal – it is an
illness. And like physical illness, it
is treatable, especially when the
treatment comes early.”**

External Factors

The field of psychiatry has changed significantly over the past few years. Recent pharmacological advancements have enabled thousands of people suffering with mental illness to be served in the community. In addition, there is increasing emphasis at the federal level on moving people out of institutions and group homes into community and home-based care. In the summer of 1999, the United States Supreme Court determined in *Olmstead v L.C. and E.W.* that states must allow institutionalized individuals who could benefit from community placement and who do not object to moving from the institution, the opportunity to receive services in the community, subject to the resources available in the state to meet the demand for these services. Indiana plans to continue to deinstitutionalize persons from our state mental health hospitals and other congregate settings in the next several years.

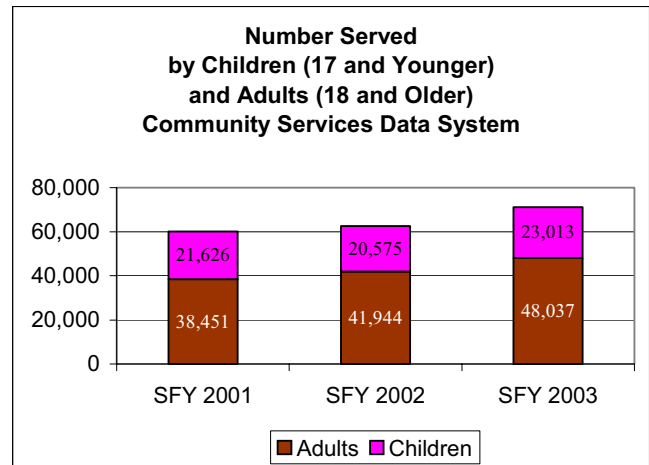
Evaluation and Accomplishments



Historically, the backbone of Indiana's community mental health system has been the community mental health centers. These centers have been expanding and forming alliances with each other and addictions, health care, and children's services providers that offer consumers better choice and offer the state stronger and more diversified contractors. Direct DMHA funding now accounts for less than 40% of CMHCs' total funding, with the balance provided via Medicaid, commercial insurance, grants, and other contracts. Further, DMHA now contracts with eight providers that are not community mental health centers but who serve children with serious emotional disorders. These include general hospitals with strong psychiatric services and traditional child care and child placement agencies.

DMHA only contracts with organizations that are accredited by the Joint Commission on the Accreditation of Health Care Organizations, the Council on the Accreditation of Rehabilitation Facilities, or the Council on Accreditation. DMHA also performs internal quality assurance process, including measuring and reporting on: clinical outcomes, consumer perspective on outcomes, consumer satisfaction, and service patterns. Annual clinical audits examine the quality of the data reported by providers.

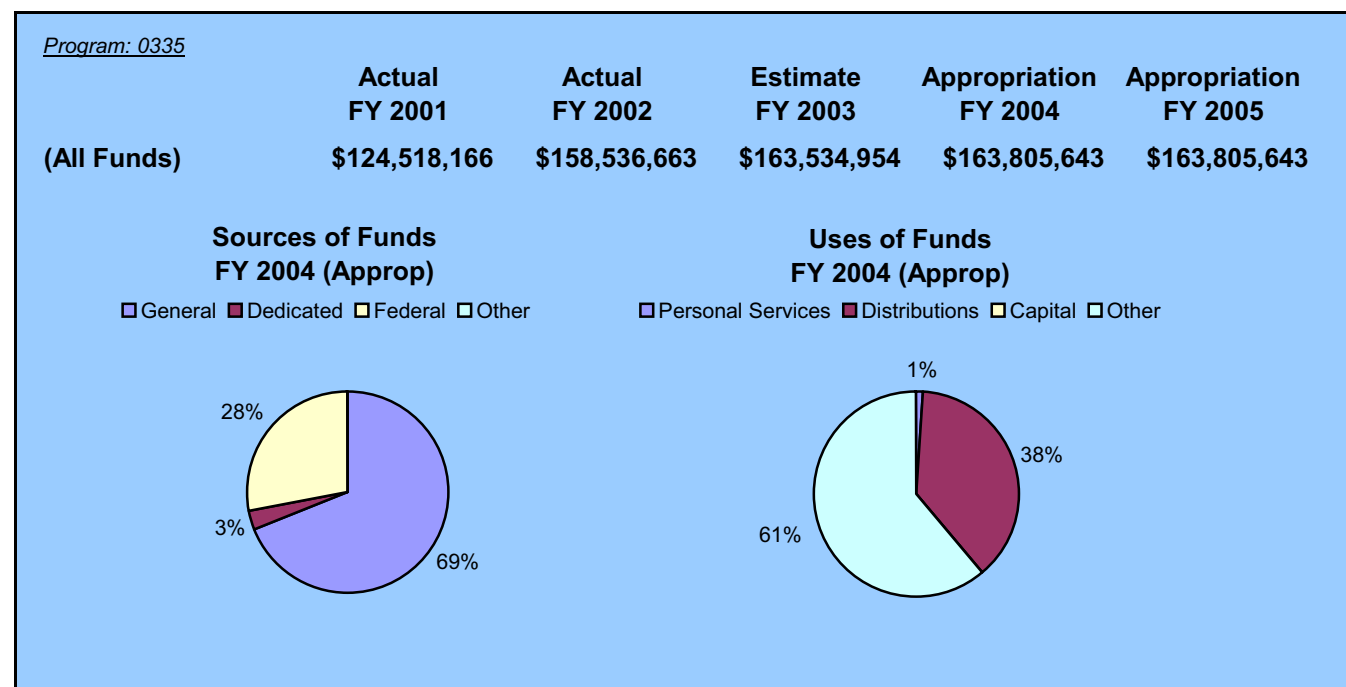
Indiana's public mental health system continues to improve, and the division remains committed to providing the best services possible for those most in need. However, total estimated need exceeds the number currently served. DMHA's most recent analysis in SFY 2001 of the prevalence of serious mental illness estimated that 56,029 adults in Indiana and 28,417 children qualified for publicly funded mental health services.



Plans for the Biennium

With input from advisory groups and stakeholders, including consumers, family members, advocates, and providers across the state, DMHA has developed a shared vision for the future of mental health and addiction services in Indiana for the SFY 2004 – 2005 biennium. Four issues have emerged as top priorities for attention: services for children, employment, improved recovery outcomes, and regional planning for services. Housing was another issue that was frequently mentioned and an internal action team has been formed to address housing issues for DMHA consumers.

DMHA will continue to expand and enhance community-based care and to promote implementation of evidence-based practices across the state. To improve the systems of care in the community for adults with serious mental illness, the process of establishing Assertive Community Treatment on a statewide basis is being funded. For children with serious emotional disturbance, efforts in collaboration with other divisions and state agencies will be increased.



State Mental Health Hospitals

Mission

To strive for excellence in quality of services and competence of staff to ensure the delivery of services consistent with consumer needs and to maintain a safe environment, to promote the dignity of rights of consumers and facilitate their return to the community.

Summary of Activities

The Division of Mental Health and Addiction of the Family and Social Services Administration manages six state psychiatric hospitals: Logansport State Hospital, Evansville State Hospital, Richmond State Hospital, Madison State Hospital, Larue Carter Memorial Hospital and Evansville Psychiatric Children's Center. All hospitals are accredited by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Three of these (Logansport, Madison, and Evansville) include intermediate care facilities for persons with developmental disabilities, which are certified and receive Medicaid reimbursement. The hospitals also received Medicaid and Medicare reimbursement for other eligible patients, private insurance, private pay and federal disproportionate share dollars.



Mental Health Patients Served in State Hospitals
Biennium 2002 - 2003
Admissions, Discharges and Patients Served by Patient Type

Patient Type	FY 2002			FY 2003		
	Admission %	Discharge %	Patients Served %	Admission %	Discharge %	Patients Served %
Drug/Alcohol	27.20%	26.50%	16.60%	22.20%	23.60%	13.60%
DD	0.80%	1.90%	8.90%	1.70%	4.20%	9.50%
Forensic	16.50%	15.20%	16.30%	15.10%	13.90%	16.40%
SED	12.80%	10.30%	9.30%	11.60%	11.20%	9.20%
SMI	42.70%	46.10%	48.90%	49.40%	47.20%	51.30%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The treatment model applied at the hospitals includes psychosocial rehabilitation, treatment mall concept, and use of new generation medications. Designs of the new buildings incorporate an environment conducive to these latest treatment approaches.

External Factors

In September 1999, the Council on State Operated Care Facilities was established to study the six state psychiatric hospitals along with other state operated facilities. The resulting recommendations are being used to develop eight regional centers. Madison State Hospital is the first hospital transitioning to the Southeast Regional Center. Transition of the remaining hospitals to regional centers will continue. Performance improvement will continue to be a guiding principle.

Evaluation and Accomplishments

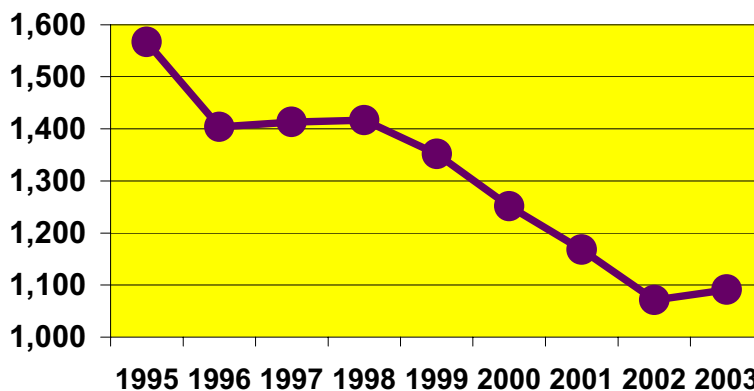
All state psychiatric hospitals have maintained JCAHO accreditation and ICF/MR certification and continue to participate in a national performance measurement system to improve services. The hospitals have developed HIPAA privacy regulations and HIPAA compliant electronic billing. Construction has been underway at four of the six hospitals. The remaining state operated school at Larue Carter Memorial Hospital has been transitioned to Indianapolis Public Schools. The Hamilton Delta Program was closed and services were integrated into Larue Carter Memorial Hospital. The new Clinical Treatment Center at Richmond State Hospital was completed in August 2002.

Plans for the Biennium

The state psychiatric hospitals will continue to transition into regional centers and focus on active treatment and the treatment mall concept. The opening ceremony for the new Evansville State Hospital with a capacity of 168 occurred in August 2003. Evansville State Hospital had decreased its capacity through community placement and the use of specialized contract agreements with the community mental health centers (SOF agreements). As census declined, staff positions were also eliminated through attrition resulting in significant budget reductions. Also, psychiatric services

were transitioned to a new vendor, resulting in substantial savings to the State while maintaining excellent services. The Isaac Ray building at Logansport State Hospital is expected to be completed by fall 2005 expanding the current capacity from 66 to 105. Madison State Hospital has begun a major remodeling project that is expected to be completed by late 2004 or early 2005 as part of the transition to the Southeast Regional Center that will decrease capacity from over 250 to 150. The adolescent program and addiction programs were closed with ten of the addiction beds moving to Lifespring Community Mental Health Center and ten beds moving to Richmond State Hospital. Hamilton Center Delta beds were transitioned to Larue Carter Hospital allowing a \$500,000 savings to revert to the general fund. And the successful transition of the school at Larue Carter Hospital to Indianapolis Public Schools resulted in a \$500,000 annual savings. Construction of the new Clinical Treatment Center at Richmond State Hospital has been completed and has greatly enhanced the Department's ability to implement the treatment mall concept.

**Census History DMHA State Operated Facilities
End of Fiscal Year Census**

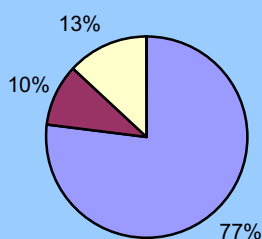


Program: 0340

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$184,278,505	\$188,150,851	\$187,768,907	\$193,618,222	\$193,314,934

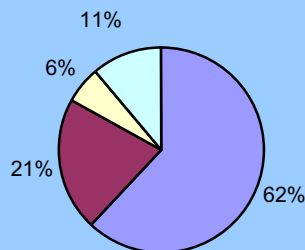
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



Health & Community Services for Aged Persons

Mission

To provide leadership, stewardship, and collaboration necessary to ensure delivery of a broad array of services for older adults, based upon the principles of independence, quality, dignity, privacy, and personal choice.

Summary of Activities

The Family and Social Services Administration (FSSA) has a variety of programs to address the needs of older individuals.

Through the Division of Disability, Aging, and Rehabilitative Services (DDARS), the Bureau of Aging and In-Home Services (BAIHS) provides a broad array of services. In-home services include: homemaker, attendant care, respite care, home health services and supplies, transportation, adult day care, home-delivered meals, and other appropriate services such as minor home modification and adaptive aids and devices.

In addition to in-home services, the Bureau provides an additional range of community-based services including: congregate meals, information and referral, legal services, preventive health services, adult guardianship, adult protective services, ombudsman, senior employment, pre-admission screening and annual resident review, assisted living through the Room and Board Assistance (RBA) and Assistance to Residents in County Homes (ARCH) programs, and the money management and representative payee programs.

The Statewide In-Home Services Program was established July 1, 1992, and is nationally recognized for its single point of entry system that works in concert with the 16 local Area Agencies on Aging (AAAs). This program has formally brought together funding from the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) Program, Title III of the Older Americans Act, the Social Services Block Grant, the Older Hoosiers account, the United States Department of Agriculture (meals), four Medicaid waivers and local funding to provide a comprehensive, coordinated alternative to institutional placement. This system is customer friendly; the local offices are “close to home” - an important concern for a person in need of assistance.

Residential services for the aged also include services provided in nursing facilities. In FY 2003, Indiana provided services to 45,708 individuals in nursing homes compared to 11,167 through the CHOICE program and 4,363 on the Aged and Disabled Waiver. State and federal funding for individuals served in nursing facilities totaled \$813.6 million in FY 2003 compared to \$56.8 million for CHOICE and the Aged and Disabled Waiver combined. However, the number of individuals served through CHOICE and the Aged Disabled Waiver has increased by over 100% since 1994, growing from 7,791 clients for both programs in 1994 to 15,530 in 2003.

In addition to these services, BAIHS provided a variety of other community-based services in FY 2003. Major programs include serving 12,920 individuals in their homes through the Social Service Block Grant at an average cost of just under \$500 per person. About 1500 people were served in the Residential Care Assistance Program at an average cost of \$7,850 a year. Finally, over 3 million meals were delivered to senior Hoosiers in congregate settings and in their homes.

External Factors

The environment continues to change for older adults. Through changes in technology, increased experience with community settings, and increased demand for independence, more and more elderly individuals are able to live at home rather than prematurely enter a nursing home or other health care facility. As a result, staff and service providers are focusing on delivery of services outside of institutions in less restrictive and safer environments. However, more can be done to provide support for these individuals and their families when in their home.

Addressing the Americans with Disabilities Act (ADA) issues will be necessary to ensure that disabled individuals who would benefit from a community placement are not limited to institutional settings.



Evaluation and Accomplishments

A number of tools are used to evaluate how effective FSSA is in providing community and residential services to older adults. There are multiple levels of quality assurance including the Quality Improvement Process, which is a consumer feedback report.

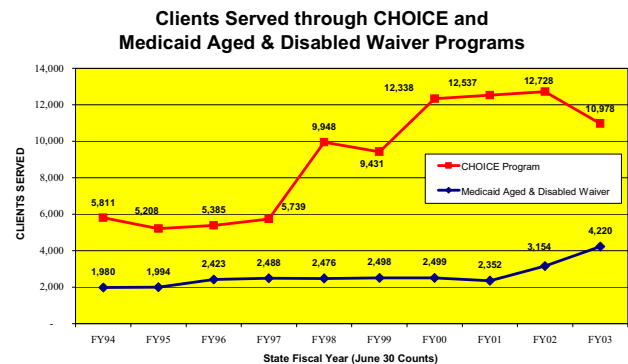
Consumers can access services through a single point of entry in their local community at the nearest Area Agency on Aging. BAIHS maintains a single phone number that directs callers to the AAA appropriate to their own locale. BAIHS has implemented an updated data system that links the area agencies with central office. This will allow for one-time data entry and quicker access to required information. This same system is used by the Bureau of Developmental Disabilities, the Office of Medicaid Planning and Policy and over 2,000 case managers involved in providing community services.

Funding increases in CHOICE, the Medicaid waivers, and the personal needs allowance have also enhanced opportunities to serve more people and provide them with better opportunities to sustain themselves. Community and in-home services have been provided to thousands of individuals in order for them to remain in their own homes and communities versus more expensive institutional settings such as nursing homes.

Plans for the Biennium

Over the next biennium, collaboration will continue to be an integral part of the community and residential services for older adults program. Working together, BAIHS and the 16 AAAs will refine programs and services for older adults and continue to develop quality initiatives. The focus is on developing long-term plans to address the nearing crisis in aging services. By 2025, there will be approximately twice as many Hoosiers over the age of 65 who are eligible for services. At the same time, there will be a reduction from five to four taxpayers supporting each Medicaid recipient.

In addition, the Governor's Commission on Home and Community-Based Services is currently exploring several additional community-based services for the aged. These include growing the Medicaid waiver for assisted living and developing an adult foster care program. BAIHS is focusing on developing new partnerships with the entire aging network to develop an aggressive outreach, education, and early intervention program to assist seniors in remaining independent. While the fiscal impact of these alternatives is significant, it needs to be viewed in light of what is currently being spent on care of individuals in nursing facilities.

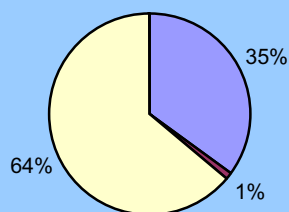


Program: 0345

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$847,204,396	\$926,833,434	\$1,021,956,433	\$949,513,745	\$975,056,625

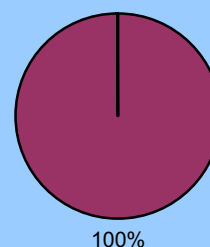
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



Employment Services for People with Disabilities

Mission

The mission of employment services for people with disabilities is to assist them in making informed career choices and in utilizing available community support services to prepare for, secure, retain, or regain employment.

Summary of Activities

Through the Division of Disability, Aging, and Rehabilitative Services (DDARS), Vocational Rehabilitation Services (VRS) assists people with disabilities to obtain essential services which will empower them to achieve equality of opportunity, gainful employment, independent living skills, economic and social self-sufficiency, and full inclusion in society. Some of the services that VRS provides include: counseling and guidance, referrals to vocational/community supported employment agencies, training, restoration services, and job placement assistance. Services are initiated in the individual's home community whenever possible through partnerships with local agencies, rehabilitation programs, and employers.



Employment services for people with severe disabilities include the Randolph Shepard Blind Vending Program, independent living centers, and supported employment for the developmentally disabled, deaf, hard of hearing, and those with mental illness.

External Factors

Employment services for the disabled have changed dramatically in the past few years. Federal legislation and state plans have focused on integrated community employment as well as person-centered planning. More people with disabilities are considering small business and self-employment as a viable employment outcome. The federal Ticket to Work and Work Incentive Improvement Act (TWWIA) passed by Congress in 1999 represents a significant opportunity for increasing the employment of people with disabilities. TWWIA allows individuals with disabilities to get job-related training and placement assistance from an approved provider of their choice. This provision enables individuals to use providers whose resources best meet their needs, including going directly to employers. The second measure expands health care coverage so that individuals with disabilities will be able to become employed without fear of losing their health insurance. TWWIA in Indiana was implemented in November 2002. Tickets can be assigned to both Employment Networks and Vocational Rehabilitative Services. The Ticket to Work Program began at a slow pace in Indiana but is picking up momentum. Statewide, 154 tickets have been assigned to Indiana with 117 of those tickets being assigned to Vocational Rehabilitation Services (VRS). The Ticket to Work Program is strongly supported by VR and planning and is underway to significantly increase the number of ticket assignments to VRS.

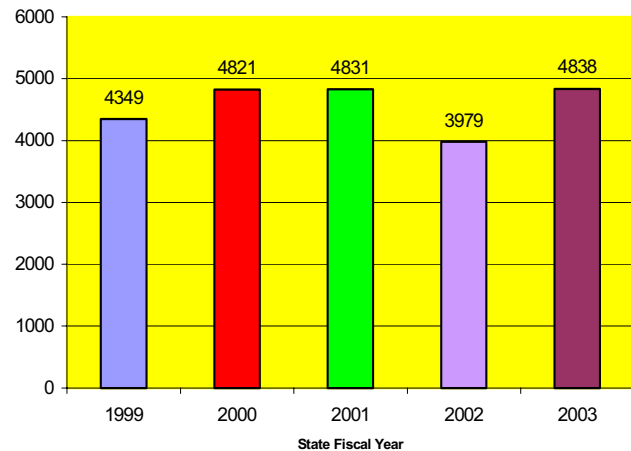
Evaluation and Accomplishments

VRS has increased employment outcomes from 4,349 in 1999 to 4,818 to date. Over these five years, 992 more individual lives and that of their dependents have been significantly improved because the clients are gainfully employed. Blind and Visually Impaired Services (BVIS), served over 2,500 individuals in 2002 through a combination of direct service, training, and administration of the Blind Registry and Older Blind Grant Program. Information and referral contacts through phone calls, tours, presentations, and mailings make up for an additional 1,000 individual contacts. The program provides setup and ongoing assistance and support to eligible blind individuals in the management of small businesses in the area of food service. Licensed managers increased to an all time high of 75 with 10 individuals successfully completing training. In State Fiscal Year 2002, Deaf and

Hard of Hearing Services served approximately 3,500 people, provided approximately 3,000 information and referral contacts, and provided interpreters and case management services for over 1,600 deaf persons. Interpreter standards have been developed to ensure that qualified interpreters are available to effectively communicate on behalf of deaf persons.

The Disability Determination Bureau adjudicates approximately 74,000 applications for Social Security benefits each year. This includes both Social Security Disability Insurance and Supplemental Security Income disability claims. The value of this function is critical in assisting those who qualify to maintain a source of income necessary to sustain themselves and their families. There are nine Independent Living Centers in the State of Indiana, and a tenth Independent Living Center is being established in an unserved area of the state.

VRS Employment Outcomes Statewide



Plans for the Biennium

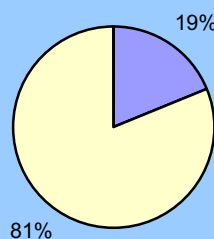
Over the next biennium, community employment will continue to be an integral part of Vocational Rehabilitation as well as other DDARS programs. DDARS will look at innovative ways to use their resources and partnerships within the community to assure every individual with a disability has the opportunity to work. In addition, VRS will continue to be part of the Workforce Investment Act's One-Stop System. The focus will be a seamless system, where choice and self determination are key components for the customer.

Program: 0350

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$118,859,099	\$121,215,973	\$124,166,109	\$118,131,603	\$118,131,603

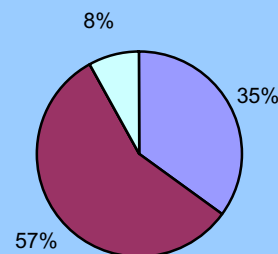
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



State Developmental Centers

Mission

To provide quality support services to individuals with developmental disabilities aimed at ensuring each individual develops and lives to their greatest potential, in the least restrictive setting possible.

Summary of Activities



Through the Division of Disability, Aging, and Rehabilitative Services (DDARS) of the Family and Social Services Administration, the Bureau of State Operated Services (BSOS) provides direction and oversight to the Fort Wayne State Developmental Center and the Muscatatuck State Developmental Center, and plays a pivotal role in the design and implementation of regional services programs.

In July, 2003, the two state developmental centers (SDCs) served approximately 426 adults with developmental disabilities. The residents are severely or profoundly mentally retarded or have severe anti-social behavior that is considered to be dangerous to themselves or others. The residents also typically have secondary disabilities such as mental illness, cerebral palsy,

epilepsy, visual impairments, and hearing impairments. Only 51 individuals have been placed in the SDCs since January 1999, while 376 have moved to community settings. The residents receive long-term services at the SDCs; however, the focus for all residents is to re-enter community services when appropriate.

The SDC transition teams work closely with all pertinent parties in conducting person-centered planning meetings with consumers, families, and advocates to ensure appropriate services are provided as well as effective conversion/transition processes are in place to address planned moves to community-based settings and institutional admissions.

External Factors

The attention of federal funding and oversight continues to emphasize that meaningful, continuous treatment is provided for each client served at an SDC and that health and safety standards are met. There is also increased federal focus on deinstitutionalization. Approximately every six months a large congregate facility closes in the United States. Both facilities require expert planning and design as well as

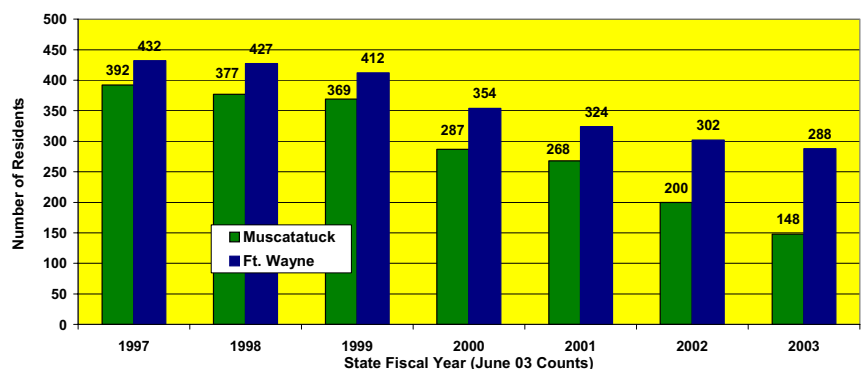
appropriate resources to ensure compliance and meet federal expectations. This federal oversight coincides with the state's unending commitment to assure quality services are provided to the developmentally disabled.

Since June 1994 nearly 1000 individuals with developmental disabilities have moved from large intermediate care facilities for the mentally retarded (ICFs/MR) into more individualized integrated community-based settings where they have an opportunity to experience a greater quality of life. Currently, four additional private facilities are in the process of closing, thereby moving an additional 254 individuals into community-based settings.

Evaluation and Accomplishments

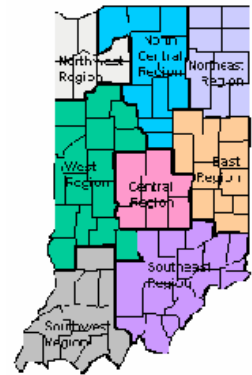
At both Muscatatuck and Fort Wayne State Development Centers, the entire service delivery system has been redesigned to address federal certification issues and Department of Justice expectations.

Number of Residents at Muscatatuck and Ft. Wayne State Developmental Centers



With the closing of New Castle Developmental Center and Northern Indiana State Developmental Center in the late 1990s, over 200 people successfully entered community settings. In addition, 376 individuals have transitioned into community settings from Muscatatuck and Fort Wayne Developmental Centers since January 1999. Only 13 of these individuals required readmission to a facility. This 3.5% recidivism rate is very low compared to other states.

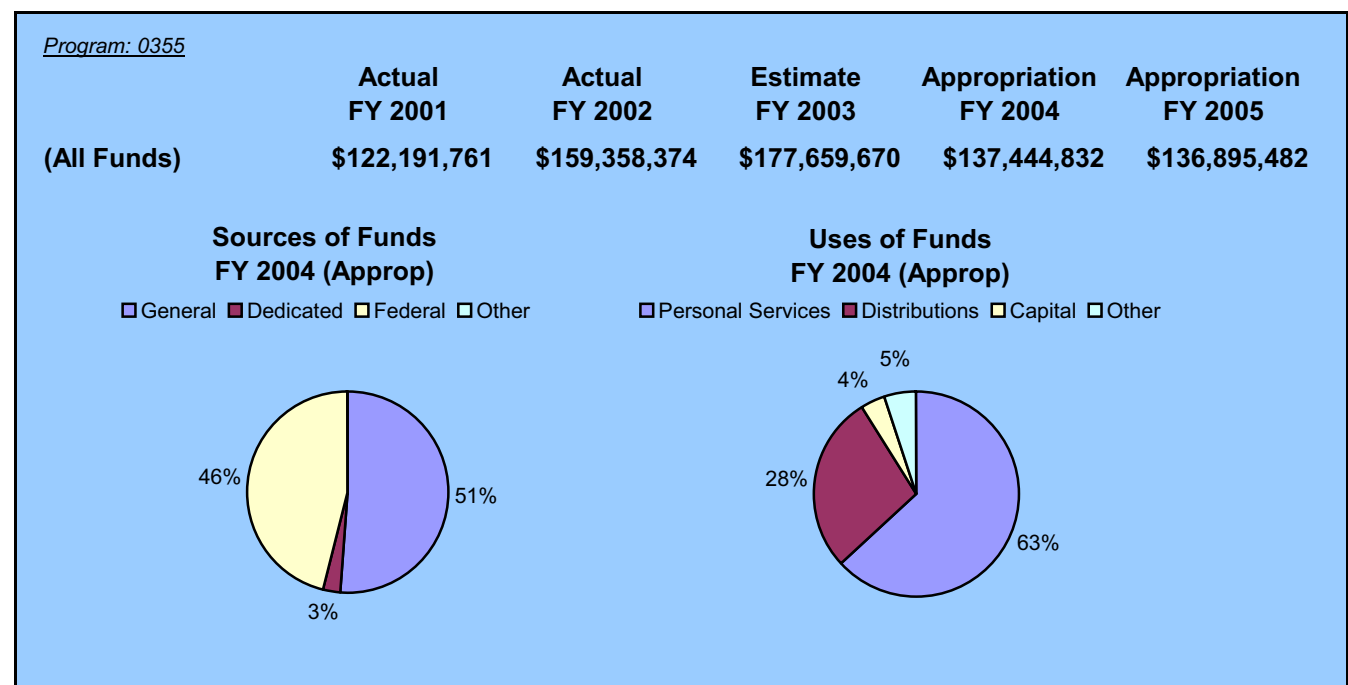
The Regional Planning Councils within the southeast, central, and northeast regions of Indiana continue to meet regularly to fine-tune plans for the provision of regional services, which will provide a continuum of services from facility-based to community-based, and that will identify and fill the gaps in services that are lacking in the local communities. Construction is currently underway on the new Southeast Regional Center on the grounds of Madison State Hospital, where short-term hospitalization will be possible for those experiencing difficulties in the community. Outreach services will be a component of this service delivery system, and will provide preventative and proactive technical assistance, consultation, and training to enhance community services and backup supports.



Plans for the Biennium

DDARS has initiated a comprehensive plan for the downsizing of both state developmental centers. The plan will be implemented during the biennium to continue the trend toward community-based services for all that can live safely in the community of their choosing. The division will continue to develop and implement consistent operational practices at both state developmental centers to insure the aggressive provision of training to develop the skills and abilities of residents and to protect their health and safety. Person-centered planning, service plan development, behavior management, inclusion, medical services, and adaptive equipment are factors addressed in the plan.

Regional outreach services have begun on a limited basis in the southeast region. DDARS will continue to expand the outreach component of regionalization throughout the state. This is paramount to the successful downsizing of the SDCs.



Health & Community Services for People with Disabilities

Mission

To assist persons with developmental disabilities in accessing services and to work with service providers and communities to develop a system of community-based supports based on the needs and desires of these individuals to help them reach their full potential.

Summary of Activities

Through the Division of Disability, Aging, and Rehabilitative Services (DDARS) at the **Family and Social Services Administration**, the Bureau of Developmental Disability Services (BDDS) provides assistance to individuals with developmental disabilities that is directed towards enabling individuals to reach their fullest potential. Assistance is also provided to family members and guardians in the form of respite services which are very valuable in providing relief to stressed caregivers and in diverting possible moves towards institutional services for the person with a developmental disability.



BDDS works with service providers and communities to develop and provide a system of community-based supports using the person-centered planning process to identify the preferences and hopes of the individual to meet their needs. BDDS encompasses eight district offices, which collectively serve people in all 92 counties. The Indianapolis central office provides leadership, direction, and oversight of the statewide program.

Some of the services provided by BDDS include: diagnosis and evaluation, day services (habilitation, community, and vocational), supported employment follow-along, the epilepsy program, and residential programs. Home and community-based residential options include the family subsidy program, supported living, foster care for children and adults, and Medicaid waiver services. Medicaid waivers allow Indiana to provide a variety of home and community-based services funded through Medicaid to individuals who would otherwise require the level of care provided in an intermediate care facility for the mentally retarded (ICF/MR). Multiple funding streams finance community and residential services for individuals with developmental disabilities including Medicaid, Social Services Block Grant (Title XX), and various state line item appropriations. As of September 30, 2003, 8,693 people were served on Home and Community Based Medicaid Waivers. This total includes 334 people served on the Autism Waiver, 4,988 people served on the Developmental Disabilities Waiver, and 2,997 people served on the Support Services Waiver. In addition, 2,876 people were served on State Line-Item Supported Living, 3,467 people were served in group homes, and 410 people were served in large private ICF/MR.

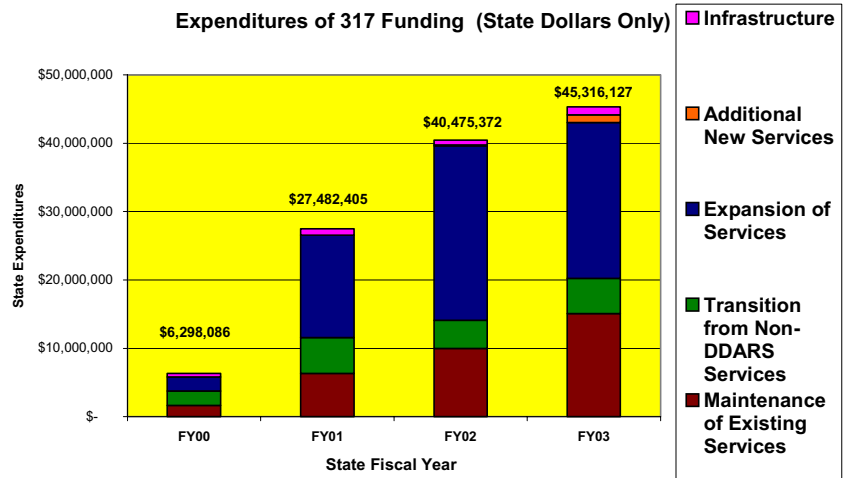
BDDS is committed to assuring that persons with developmental disabilities are supported in a manner that protects them from harm and ensures they reach their fullest potential. Significant efforts have been made to assure the health and safety of individuals residing in the community. These include: 1) development of standards for all providers of supported living services and supports; 2) annual Indiana State Department of Health surveys of group homes and private ICFs/MR; 3) a standardized process for reporting incident report and a formalized complaint process; 4) case management functions which are shared by the local BDDS offices and case managers; and 5) a formal process to review providers of supported living services and supports.

External Factors

Community and residential services for individuals with developmental disabilities have changed dramatically over the years. With the closure of the New Castle and Northern Indiana State Developmental Centers and the implementation of the "317 Plan" there has been increased emphasis on individuals with developmental disabilities and their families being provided choices about community living and community activities. This shift to community-based services has had a positive impact on the lives of many individuals. The Department of Justice and the Centers for Medicare and Medicaid Services (CMS) are overseeing states' compliance with the Americans with Disabilities Act (ADA). ADA-related lawsuits across the country have focused national attention on these issues. Specific attention is being focused on ensuring that individuals reside in most inclusive environment and that choice is being provided to individuals.

Evaluation and Accomplishments

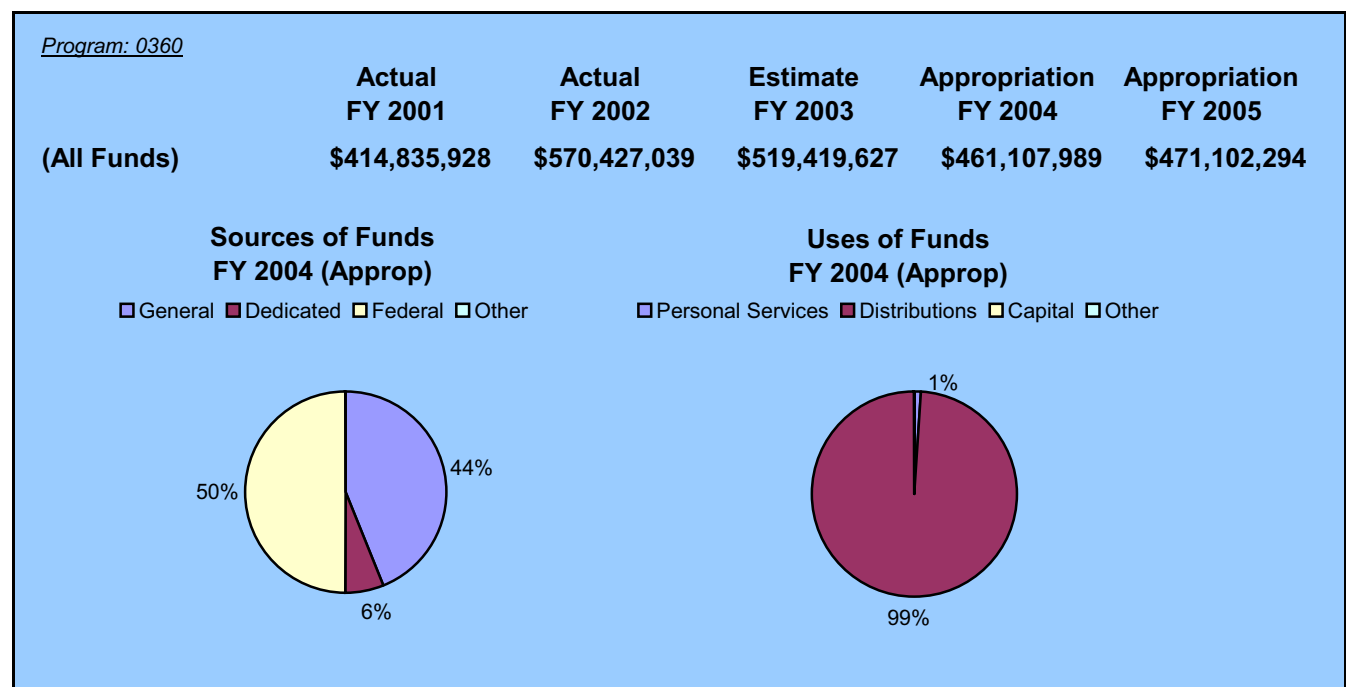
During the 2001-2003 biennium, new capacity was added to serve 2,140 people with developmental disabilities. These included 766 new individuals served by the DD Waiver or state line-item supported living funds; 142 new individuals served by the Autism Waiver; 777 new individuals served by the Support Services Waiver; and 455 individuals who moved from nursing facilities, state operated large private ICF/MRs, and small ICF/MR group homes as a result of the conversion of institutional capacity to home and community based services.



The Bureau of Quality Improvement Services was created to provide overall oversight of FSSA-DDARS programs dedicated to people with developmental disabilities. The Bureau is committed to assuring that individuals with developmental disabilities reside in the least restrictive environment with the first alternative being community-based services. Community based services allow for opportunities that reflect the individual's unlimited value and capacity to grow and contribute to the community in which they reside. Staff have been added to the DDARS programs to conduct the tasks necessary to support all BDDS field functions and ensure that quality assurance mechanisms are in place to evaluate and monitor the health and safety of individuals residing in the community.

Plans for the Biennium

Over the next biennium, community and residential services for people with disabilities will continue to look toward most inclusive living arrangements. In addition, BDDS will refine programs and processes to further ensure the health and safety and improve the quality of life of each individual with a disability.



Public Health Education

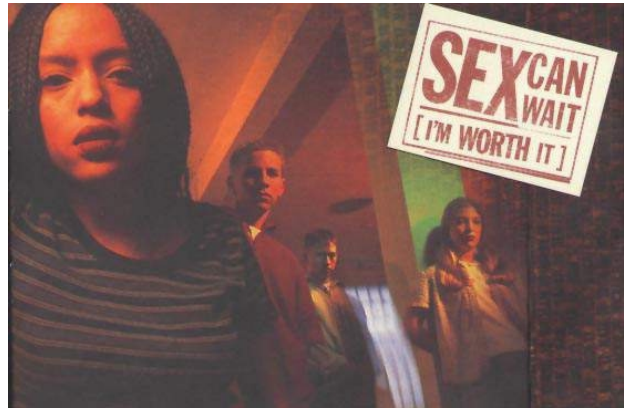
Mission

To provide information and services that result in a more informed public and healthier children, adults, and families.

Summary of Activities

The **Indiana State Department of Health (ISDH)** provides public health education focused on prevention of unhealthy behavior and changing or abating existing unhealthy behavior. Public health programs supported by the ISDH include the Minority Health Initiative, Childhood Hazards Education & Prevention, AIDS Education & Prevention, and the Governor's Council for Fitness & Sports.

The Maternal and Child Health Services (MCHS) division is responsible for improving the health of women, infants, children, and adolescents by providing education and prevention services throughout the state. MCHS works with the Indiana Perinatal Network to provide bi-annual state conferences for health care professionals and consumers. Past conferences have covered preventing infant mortality, postpartum depression, and safe sleep for infants. MCHS and the Perinatal Network also sponsor a statewide media campaign, "Baby First...Right from the Start," aimed at both health care providers and the public. Materials are distributed to pregnant women through the Indiana Family Helpline. *Perinatal Perspectives*, a quarterly newsletter reach consumers and health care professionals with the latest up-to-date information.



Abstinence education is provided by the Project RESPECT program, funded by state funds and the federal Abstinence Education Block Grant. Project RESPECT funds are distributed to community groups to support abstinence education in regards to the sexual behavior of adolescents and teens. The Child Care Health Consultant program was implemented in May, 2003 by the ISDH to provide guidance to child care providers regarding the health and safety of children cared for in out-of-home childcare settings by helping childcare providers identify and move toward compliance with standards set by the American Academy of Pediatrics.

Federal funds support the Genomics Program at the ISDH, which provides genetics education for professionals and consumers via presentations and seminars to genetics professionals and the quarterly publication, *Transcriptions*. The Genomics Program is also developing a population-based folic acid education campaign to be launched in 2004.

The **Indiana Tobacco Prevention and Cessation Agency (ITPC)** works to change the cultural perception and social acceptability of tobacco use in Indiana by providing education and outreach to Hoosiers on the dangers presented by exposure to tobacco smoke and tobacco products and seeks to reduce or eliminate such exposure. The ITPC funds various community program and a statewide media campaign (www.WhiteLies.tv) to assist in educating the public on the hazards of tobacco use and exposure.

The **Coroners Training Board** provides public health education in the form of establishing statewide standards for death investigation procedures and providing appropriate training to county coroners and their deputies.

External Factors

Indiana was one of 46 states to enter a November, 1998 settlement with the tobacco industry to resolve a class action lawsuit filed against the tobacco industry. Indiana has chosen to utilize funds received from the tobacco industry settlement primarily for health care purposes and programs. This funding source has allowed an expansion of tobacco education and smoking cessation projects and has provided funding for innovation in addressing other public health concerns.

However, tobacco manufacturers have recently made claims of an inability to meet the payments required in the settlement agreement due to the influx of judgments against them in lawsuits brought by smokers or their relatives. Settlement payments to the states are negatively impacted by declining nationwide smoking rates. These factors will heavily influence the future of settlement payments to the states, including Indiana, possibly resulting in decreased settlement payments.

A major external factor facing the Coroners Training Board is the fact that coroners in Indiana are elected officials. Thus, they usually require a great deal of education and training regarding death investigation procedures.

Evaluation and Accomplishments

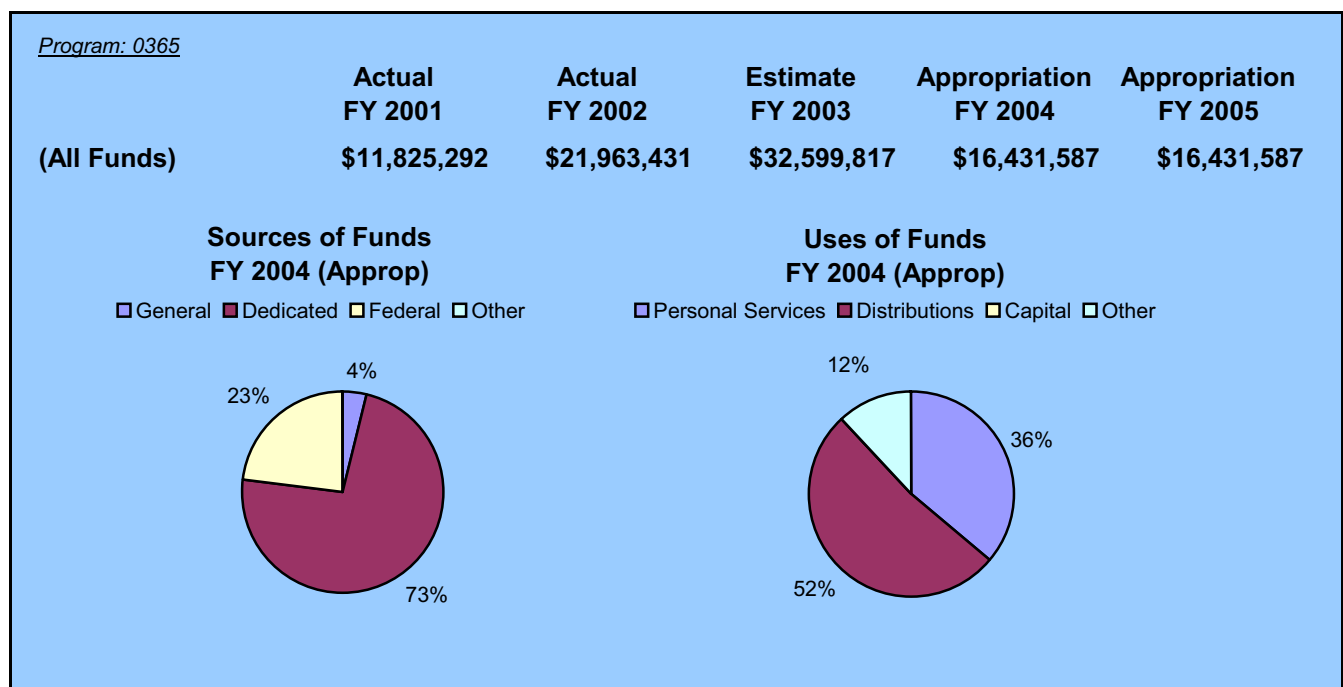
The ISDH continues to sponsor the Nicotine Replacement Program in which state-funded Community Health Centers distribute free nicotine patches to clients in need of smoking cessation services. Every Community Health Center offers some type of smoking cessation service; some provide the nicotine patch and all provide individual and group support services.

ITPC partners have conducted over 4,700 activities at the local level, such as implementing prevention and education programs in schools, developing cessation networks, and raising awareness of tobacco prevention efforts. The Indiana Youth Tobacco Survey showed a decrease in smoking rates of high-school students, from 32% in 2000 to 23% in 2002.

Plans for the Biennium

Public health education plans for the ISDH include continuation of successful campaigns, activities, and programs as well as securing additional federal dollars. Maternal and Child Health Services funding will continue to be used for education and prevention activities and programs for improving the health of women, infants, children, and adolescents.

The ITPC Board approved several program changes to adjust to a decreased appropriation amount for fiscal years 2004 and 2005, such as reducing grant periods from 24 to 18 months and narrowing the scope of grant awards to limited interventions rather than comprehensive prevention and cessation plans.



Public Health Surveillance & Reporting

Mission

To protect and promote human health in Indiana by identifying and tracking important diseases, investigating disease outbreaks, and providing high quality data to public health institutions.

Summary of Activities

The **Indiana State Department of Health (ISDH)** is responsible for public health surveillance and reporting. One of the essential services provided by the ISDH is the gathering of information on the occurrence of diseases and other health events (e.g., births and deaths). Physicians, hospitals, laboratories, and other health care entities submit reports and data to the ISDH. These data are then aggregated with other data sources to provide a comprehensive picture of health events in Indiana.

In addition to reports received from others, the ISDH also conducts surveys to obtain health information. An example of this activity is the Behavioral Risk Factor Surveillance System, which gathers data on obesity, exercise, diabetes, and other key health behaviors.

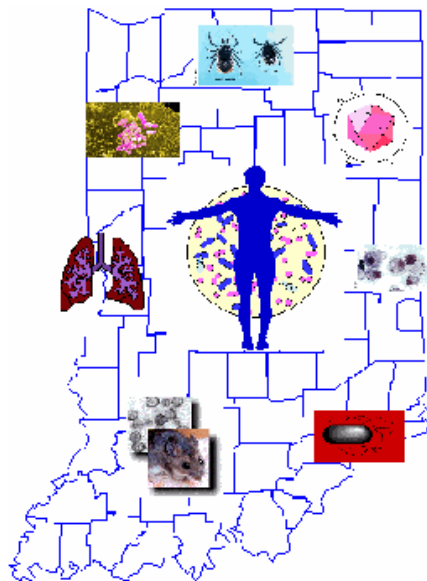
The ISDH uses Geographic Information System (GIS) methods to analyze state and local mortality and morbidity data across ISDH programs. GIS uses computer technology to map population and health characteristics and track any variations geographically. By comparing and coupling geographic population data with local health indicators and local health resources, the ISDH has a powerful tool to help target resources and funding.

The ISDH maintains an extensive collection of public health information on its Web site at www.state.in.us/isdh. The ISDH produces several reports on health events and disease occurrence in Indiana. Some typical reports include the Indiana Mortality Report, Indiana Cancer Mortality Report, Behavioral Risk Factor Report, Indiana Natality Report, Indiana Report of Infectious Diseases, Indiana Hospital Consumer Guide, and Indiana Terminated Pregnancy Report. The ISDH responds to thousands of requests for information each year from other health agencies, health organizations, businesses, and members of the public.

The ISDH is also responsible for assisting Indiana's local health departments (LHD) in the investigation of unusual occurrences of illness and outbreaks of infectious disease. Depending on the LHD's capabilities, this assistance varies from providing advice and recommendations to actual investigative activities. Each investigation involves trying to determine the source or cause of the outbreak and determining its magnitude. The ISDH and LHD work collaboratively to halt the spread of disease and develop recommendations to prevent similar outbreaks in the future.

External Factors

Effective public health surveillance is dependent upon active partnerships with doctors, hospitals, and community health organizations. Nonreporting, late reporting, and incomplete reporting by health care professionals has the effect of seriously limiting the effectiveness of the public health surveillance system. Emerging and reemerging infectious diseases must be added to the surveillance system, and reporting parties must be made aware of their existence. In addition, current political realities increase the possibility that a terrorist group might use biological weapons in an act of aggression against the United States. One of the new challenges for the ISDH is to plan for the detection and response to such an attack.



Evaluation and Accomplishments

Despite increasing demands on surveillance services, the ISDH continues to provide timely and accurate surveillance for diseases of public health interest, investigate disease outbreaks, and track the human health effects of environmental contaminants. Recent experiences with unusual diseases such as West Nile virus and monkeypox illustrate that the public health surveillance and investigation system is functioning well.

The Indiana Childhood Lead Poisoning Prevention Program demonstrated the significant benefits of using GIS in surveillance. By comparing computer maps of high environmental lead concentrations with maps of high levels of childhood lead poisoning, the ISDH was able to adopt screening policies and procedures that focus on the most at-risk neighborhoods throughout Indiana. Similarly, the use of GIS to identify specific at-risk locations for infant mortality and other adverse health outcomes has fostered discussions with local health officials on how to improve health outcomes in those areas.

Disease	Cases							
	1996	1997	1998	1999	2000	Five-year	Five-year	
							Mean	Median
AIDS	602	502	476	356	385	464	476	
Campylobacteriosis	693	571	605	511	592	594	592	
Chlamydia	10,100	9,979	11,267	11,884	13,986	11,443	11,267	
Cryptosporidiosis	59	49	58	47	74	57	58	
E. coli O157:H7	83	75	91	107	131	97	91	
Giardiasis	874	718	736	654	517	700	718	
Gonorrhea	6,425	6,383	6,643	6,154	6,500	6,421	6,425	
Hepatitis A	366	327	156	105	132	217	156	
Hepatitis B	148	89	101	77	85	100	89	
Histoplasmosis	88	*97	*98	75	82	88	88	
Legionellosis	23	46	71	53	41	47	46	
Listeriosis	19	11	17	12	9	14	12	
Lyme Disease	16	16	*20	13	23	18	16	
Malaria	16	17	9	22	11	15	16	
Measles	0	0	3	2	0	1	0	
Meningococcal Disease	63	55	*67	*60	59	61	60	
Mumps	8	15	7	5	2	7	7	
Pertussis	128	104	185	90	153	132	128	
Rabies, Animal	9	13	12	13	14	12	13	
Rocky Mt. spotted fever	7	1	2	10	4	5	4	
Salmonellosis	590	586	649	572	677	615	590	
Shigellosis	161	94	159	368	1,591	475	161	
Primary & Secondary Syphilis	207	148	212	449	356	310	212	
Tuberculosis	202	168	188	150	145	171	168	
Typhoid Fever	4	3	2	6	6	4	4	
Yersiniosis	13	10	16	19	13	14	13	

*Numbers corrected from the 1999 Report of Disease of Public Health Interest.

*Numbers corrected from the 1999 Report of Disease of Public Health Interest.

Plans for the Biennium

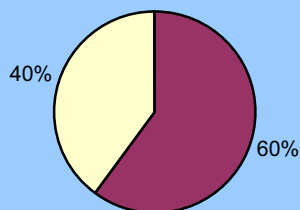
- 1) Chronic diseases kill more Indiana residents than all other causes combined. The ISDH will develop a chronic disease epidemiology program to support the parallel development of chronic disease prevention programs.
- 2) The ISDH will increase its GIS capacity to support policy development, program planning, epidemiologic studies, and presentation of data to the public through the ISDH Web site.
- 3) The ISDH will continue to be heavily involved in providing training to local health departments, often in cooperation with the **Indiana University** School of Medicine, Department of Public Health.

Program: 0370

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$11,817,250	\$12,042,773	\$13,940,476	\$12,904,999	\$12,904,999

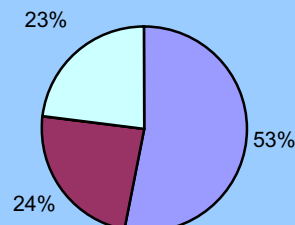
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



Community-Based Health Services

Mission

To provide effective, community-based health services that address the health needs and concerns of specific individuals and populations in all areas of need.

Summary of Activities

In striving to fulfill this mission, the **Indiana State Department of Health (ISDH)** administers a variety of programs that promote health care services in local communities. A goal of community-based health services models is to design and promote access to and utilization of quality health services in rural, urban, and other underserved areas and populations. The ISDH establishes programs that provide physician services, nurse practitioner services, health education, drug assistance, counseling, supportive services, case management, nutrition education, and immunization services, as well as comprehensive primary and preventive health care services for all age groups. Community-based health services are focused on primary rather than institutional or acute care. Much of this care is provided by nurses and physicians' assistants under the supervision and guidance of a physician.

ISDH's Community Health Center (CHC) program provides essential primary health care access and services to Indiana's uninsured, underinsured, and working poor residents. CHCs are often located in rural communities or other communities that lack access to primary health care services. This program grew significantly in 2000 when the Indiana General Assembly allocated tobacco settlement funding to the program. Today the CHC program helps provide primary health care services to over 320,000 Hoosiers with an estimated 1+ million medical encounters per year at over 60 centers located statewide. These CHCs are community-led and serve to build community by serving each area's unique needs. No one may be refused services at the CHCs.

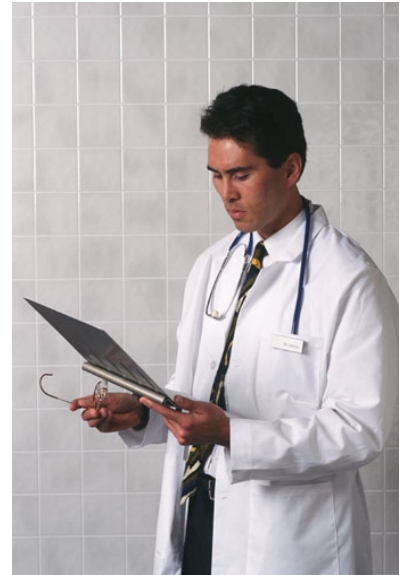
The ISDH works to eradicate or reduce the number of cases of vaccine-preventable diseases, such as measles, mumps, rubella, diphtheria, tetanus, influenza, and hepatitis, by purchasing at bulk discount costs and making the vaccines available to health care providers. The ISDH also conducts outbreak control activities when such diseases are reported or detected via ISDH surveillance efforts.

The **Indiana Tobacco Use Prevention and Cessation Agency (ITUPC)** partners with community-based organizations to change the knowledge, attitudes, and practices of young people, tobacco users, and nonusers. Effective community programs involve people in their homes, worksites, schools, places of worship, entertainment venues, civic organizations, and other public places.

External Factors

Community-based health services are closely linked to, and strongly influenced by, the local community in which the program services are provided. The long-term viability and sustainability of community health programs are impacted by communities' abilities to identify needs, locate and secure funding sources, participate in governance, and actively utilize programs and services facilitated by state agencies.

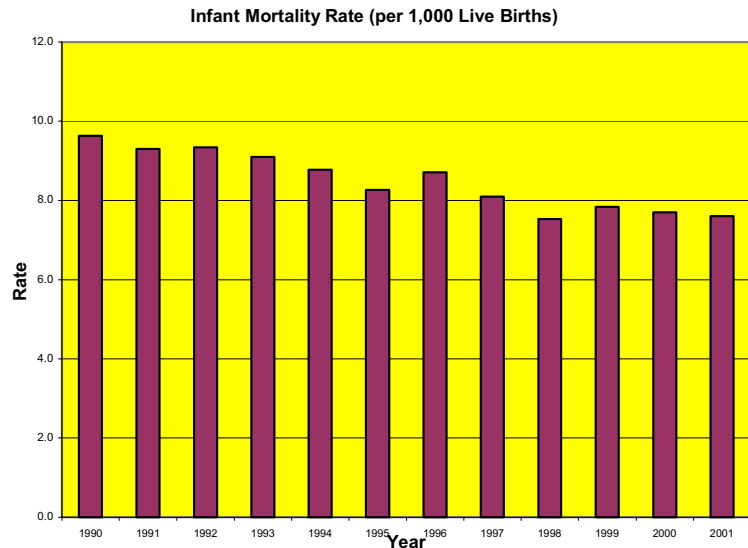
Collaboration among federal, state, and local agencies is a key component for successful and effective management of these programs. Many primary health care providers at the local level actively seek a variety of sources of funding as revenue to sustain operations. This may include federal sources, more than one state or local source, some local private foundation sources, and possibly the use of such funds to leverage donations or gifts from members of the community. State-local collaborative planning efforts allow health services to change and adapt as new threats and needs are identified.



Evaluation and Accomplishments

Access to primary health care services has improved through continuation of CHC sites throughout Indiana, as well as expanded services from other established agencies and clinics that address local health needs. Infant mortality has decreased, smoking rates have decreased for pregnant women, and health services have increased for the uninsured and special populations such as HIV/AIDS, minorities, immigrants, homeless, and others.

- Sudden Infant Death Syndrome incidents in Indiana have decreased dramatically from 123 per 1,000 in 1992 to 26.2 per 1,000 in 2000.
- Live births to mothers who smoke have decreased from 25.4% in 1991 to 20.2% in 2000.



Each of Indiana's 92 counties has been awarded ITPC grant funds to provide tobacco use prevention and cessation services in their communities, including setting up resources to help smokers quit. Over 1,600 local organizations are involved statewide, including state, regional, and pilot programs, as well as 31 local minority organizations.

Plans for the Biennium

Community-based health services will continue to collaborate with communities throughout Indiana to assure appropriate health care access and to identify local needs and health concerns. Particular focus will be given to improving the health status of specific populations, such as the uninsured, the homeless, pregnant women, those with HIV/AIDS, the migrant population, and those with chronic disease such as diabetes, asthma, and congestive heart failure.

Program: 0375

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$31,810,631	\$50,455,576	\$50,534,577	\$50,070,328	\$50,070,328

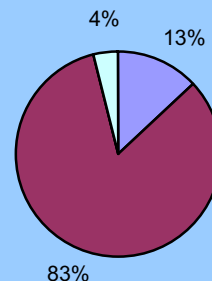
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Health Standards Compliance

Mission

To ensure that health services providers and establishments comply with health and safety regulations, providing safe, clean, and healthy services for Hoosiers.

Summary of Activities

Health standards compliance activities are overseen by the **Indiana State Department of Health (ISDH)**, by way of the Health Care Regulatory Services Commission. This commission is comprised of five divisions. The Acute Care and Long Term Care divisions are responsible for the licensure and certification of 5,626 acute care, 587 long-term care, and 530 group home providers. These divisions provide directories, pamphlets, profiles, reports, and other reference information relating to acute care and long-term care issues such as nursing homes, hospitals, hospices, home health agencies, and blood centers. They also evaluate complaints regarding hospitals, nursing homes, home health care providers, or hospice care providers, conducting investigations when necessary.

The Food Protection division is charged with ensuring the safety and sanitation of food, the accurate representation of regulated products, and the compliance of food and food products with state laws and regulations. This division works with the retail and wholesale food industry to ensure that food provided to the consumer is safe and does not become a vehicle in a disease outbreak or in the transmission of communicable disease.



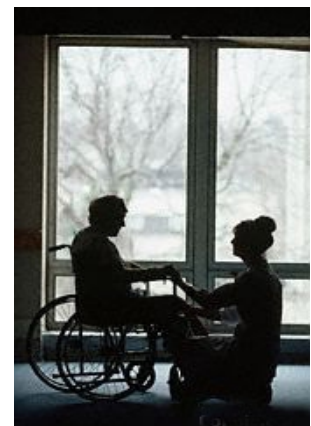
The Indoor and Radiological Health division regulates all sources of radiation in Indiana, providing guidance and assistance regarding radiation and indoor air quality. Technical assistance is provided on radiological emergency response, proper use of radioactive materials, and X-ray and radon machine training and compliance.

The Weights and Measures division regulates commercial weighting and measuring instruments, ensuring the accuracy of weights and measures in the distribution and sale of necessities such as food and fuel.

External Factors

A number of significant external factors affect health standards compliance:

- As Indiana shifts dollars from institutional care providers to the provision of care in the community, the number of licensed and unlicensed community care providers has increased.
- Acute or long-term care providers are faced with decreased reimbursement rates and labor shortages, which places financial constraints on these care facilities.



Evaluation and Accomplishments

The ISDH Acute Care division has experienced an increase in the number of surveys and complaint investigations since 2000. In the past 12 months ISDH has investigated 730 complaints involving acute care providers and suppliers. These investigations have been focusing on patient outcomes and enforcement criteria that can include both fines and the denial or suspension of licenses. In addition, the Acute Care division implemented the Critical Access Hospital (CAH) application process and there are currently 18 critical access hospitals.



Indiana State Department of Health

The Long Term Care division administers the federal Centers for Medicare and Medicaid Services (CMS) enforcement system, which includes the imposition of civil monetary penalties, denial of payment for new admissions, directed in-service, and directed plan of corrections. The division's complaint intake and survey system include's a toll-free telephone number, professional intake staff and survey staff, formalized complaint handling protocols, and provides notification to the person who filed the complaint.

The ISDH has also instituted a process whereby acute care providers can informally dispute survey findings and are instituting a process to use an outside vendor to review disputed long term care survey findings.

Plans for the Biennium

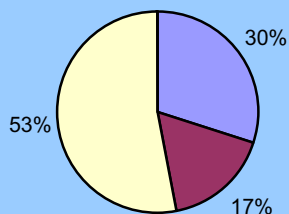
ISDH will expand the consumer information available at the ISDH website, www.state.in.us/isdh. Information now available on the web site includes data regarding inpatient and outpatient providers, food protection, sanitary engineering, and weights and measures. ISDH will also strive for compliance with CMS performance standards for both the Acute and Long Term Care Divisions.

Program: 0380

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$13,587,877	\$13,562,784	\$16,621,825	\$14,782,644	\$14,782,644

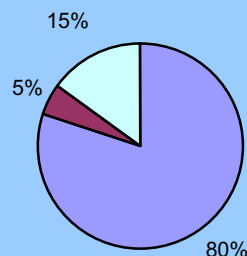
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



Veterans' Services

Mission

To provide needed assistance to Hoosier veterans, their dependents, spouses, and service personnel.

Summary of Activities

Hoosier veterans are served by the **Indiana Department of Veterans' Affairs (IDVA)** and the **Indiana Veterans' Home (IVH)** at West Lafayette, Indiana. The IDVA provides certification of eligibility for a variety of veterans' benefits, including free college tuition for the children of disabled veterans, tax abatements, and veteran license plates. It also approves all public educational and training programs within the state for veterans that have GI Bill education benefits. IDVA staff monitor the activities of each County Veterans Services Officer (CVSO) office, providing training to newly-appointed CVSOs.

The IDVA administers the 110-acre Indiana Veterans' Memorial Cemetery, located in Madison, Indiana. Staff are responsible for all aspects of the cemetery, including scheduling, maintenance, visitation, and burial. The cemetery was opened on December 1, 1999.

The IVH provides comprehensive and skilled nursing care for 264 residents with high acuity levels, major disabilities, and multiple chronic conditions associated with the aging process. It provides assisted living care for 55 residents who require 24-hour observation and medication administration, but do not require around-the-clock licensed nursing care. IVH also provides self-care rooms for 38 residents who can care for themselves but have conditions or disabilities that negate normal employment, or have serious financial situations.

The IVH staff (428 employees and 11 contractual staff) includes two full-time doctors, two respiratory therapists, and three clinical pharmacists, as well as physical and occupational therapy; audiology and speech pathology; a part-time dentist, podiatrist, and optometrist; consulting physician specialists; and extensive nursing, social work, and recreation staff.

External Factors

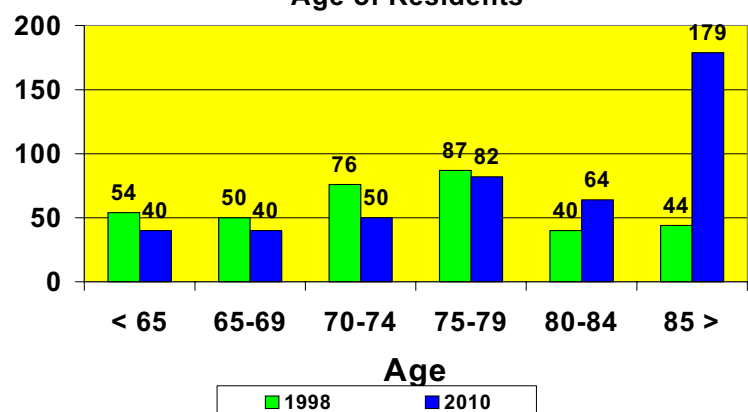
The IVH and the **Indiana State Department of Health** conducted a needs assessment study in 1999, based on Veterans' Administration (VA) demographic projections of World War II veterans. The study showed that a significant increase in the number of veterans age 85 years and older will result in a need for a greater bed capacity at the IVH. The IVH will also have to accommodate a growing nationwide shortage of certified nurse aides.

The recent passage of the Veteran's Millennium Healthcare and Benefits Act mandates more regional, community-based veteran's services, such as home health care, adult day services, and community mental health services. This will require greater integration of IVH and VA services.

The number of burials at the Indiana Veterans' Memorial Cemetery are expected to increase significantly with the completion of the facility and now that an increased number of veterans are aware of the facility's existence.



**Indiana Veterans' Home
Current vs. Projected Census
Age of Residents**



Evaluation and Accomplishments

In coordination with the **Office of the Lieutenant Governor**, the American Legion, and the U.S. Department of Veterans Affairs, the IDVA conducted an extensive outreach effort to provide veterans with information about the benefits to which they are entitled.

In May 2003, the administration building, chapel, and grounds of the Indiana Veterans' Memorial Cemetery were completed and dedicated.

State long-term care surveys of the IVH in 1999 and 2000 produced no finding of deficiency in care. Only five percent of all nursing homes meet this standard, indicating the quality of care being provided to Hoosier veterans. No state survey or VA inspection has identified any serious care-related finding since 1994. Resident and family surveys, conducted by an external organization in 1999, reflected a very high rate of customer satisfaction.



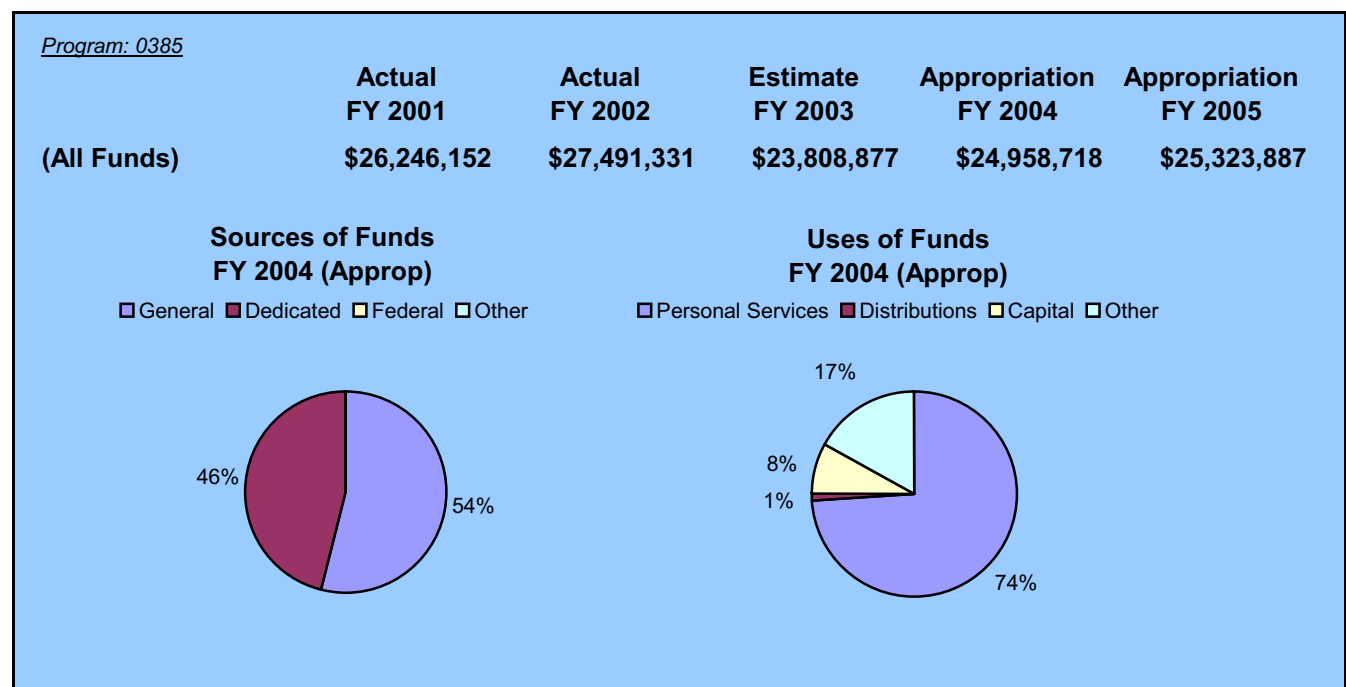
The Indiana Veterans' Memorial Cemetery

Plans for the Biennium

The IVH Applied Strategic Performance Planning process has identified the following primary objectives:

1. Maintain and enhance the quality of resident care.
2. Optimize utilization of available resources.
3. Maintain and train sufficient staff to meet all resident care needs.
4. Acquire and maintain appropriate equipment, and maintain a safe, effective facility.
5. Create a proactive partnership with the VA to better integrate veterans' health care services.

In an effort to continue outreach services to Hoosier veterans, the IDVA is planning five regional "Benefit Fairs." The Fairs will feature both private-sector and public-sector providers. The goal is to provide education and information on benefits available to Hoosier veterans, assist veterans in accessing these benefits, and provide a vibrant environment for job seekers and providers.



Law Enforcement Patrol

Mission

To create a safe environment for Indiana citizens by enforcing state and federal laws.

Summary of Activities

Law enforcement patrol activities implemented by the **Indiana State Police** include many facets of operation, including the enforcement of traffic laws, commercial vehicle enforcement and training.

In 2002, 655 state troopers were deployed. They patrolled a total of 38,772,105 miles, with the following results:

DUI Arrests	7,681
Written warnings	376,794
Truck arrests	91,702
Criminal arrests	27,318
Felony arrests	10,463



The **Department of Natural Resources** (DNR) Conservation Officers enforce natural resource laws and rules through fish and wildlife law enforcement patrols, boating law enforcement patrols, patrols of DNR property for criminal, traffic and natural resource law violations.

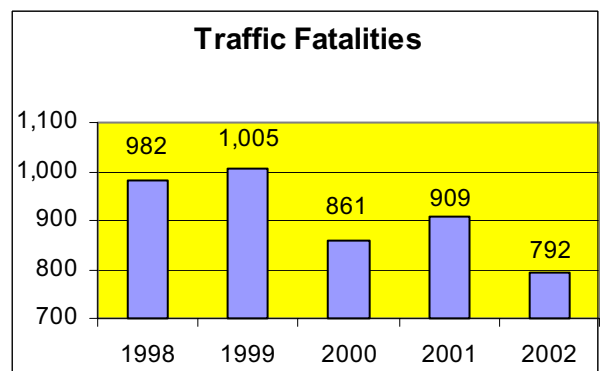
External Factors

External factors that influence law enforcement patrol activities include vehicle miles traveled, safety belt compliance, impaired driving, and weather conditions. Increased use of DNR recreational opportunities increases the need for expanded law enforcement patrols. Higher use requires an evident law enforcement presence necessary to reduce recreational accidents and curb more traditional criminal activity.

Evaluation and Accomplishments

A total of 735,506 traffic related staff-hours were worked by the State Police in 2002. Traffic arrests, moving arrests, truck arrests, trucks measured, and police services all increased from the previous year. Officers working on federally funded grant projects produced 68,209 traffic arrests, 1,891 criminal arrests, and 1,091 driving-under-the-influence arrests. A total of 22,746 citations were written for seat belt violations. Department aircraft provided assistance in controlling the flow of vehicles and pedestrians into and out of the Indianapolis Motor Speedway for the Indianapolis 500 and the Brickyard 400, and for state university football games. The Aviation Section conducted 181 searches, 36 surveillance details, and 138 photographic flights. In addition, they worked 52 traffic enforcement details resulting in 982 traffic citations and 247 written warning being issued.

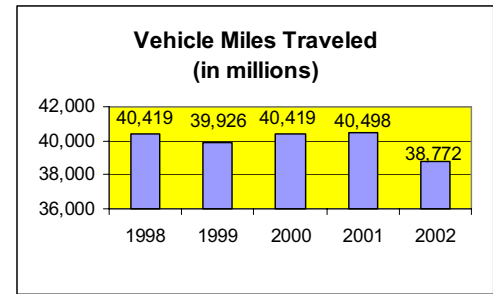
In 2002, the DNR was involved in 10,899 investigations totaling 29,246 hours. The investigations included fish and wildlife, boating and other conservation investigations. The Law Enforcement Division made 9,000 public appearances. The Division also conducted outdoor education programs for hunters, boaters, snowmobiles, and trappers. The education programs number 660 classes with a total of 24,579 students.



Plans for the Biennium

The State Police have identified these patrol-related goals for the next biennium:

- To continue with the procurement of a new voice/data communication system.
- To decrease the total number of miles driven over the life of a patrol car.
- To continue the enhancement and utilization of information technology department-wide.



The DNR Law Enforcement Division will continue to protect and promote natural resource recreational activities in the next biennium. The Division will:

- Concentrate on an increased presence on the waters of the state to promote boating safety.
- Graduate 25 recruits in April 2004 which will provide the Division with a full compliment of 215 conservation officers.
- Continue to work on environmental as well as other conservation and natural resource violations.

Special Initiatives



Public safety agencies currently operate on disparate, stand-alone systems that do not allow interagency communications or response. In an effort to vastly improve public safety communications and cooperation, the State Police Department has joined the **Integrated Public Safety Commission (IPSC)** in developing and implementing Project Hoosier SAFE-T, an integrated, statewide, wireless, voice and mobile data communications network. Hoosier SAFE-T will provide effective interoperable communications to all local, state and federal first responder agencies that elect to join the system.

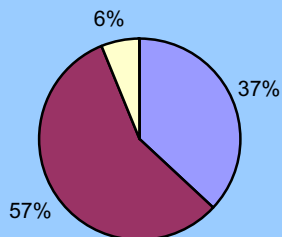
The Hoosier SAFE-T infrastructure, funded entirely by the state, will utilize a network of 126 communication sites across the state. Currently, eight communication sites are operational on Hoosier SAFE-T and 55 additional sites are being installed.

Program: 0400

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$106,506,119	\$89,486,767	\$108,599,777	\$111,319,194	\$112,260,409

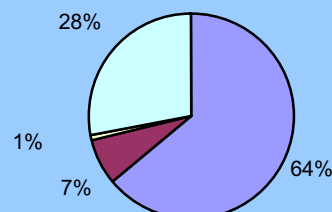
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Law Enforcement Investigation

Mission

To create a safe environment for the State of Indiana through the identification and suppression of criminal activity.

Summary of Activities

The **Indiana State Police Law Enforcement Investigation** program includes criminal investigations, crash investigations, odometer fraud, confidential funds, and training. This program employs approximately 1300 sworn officers and 700 civilians. The Bureau of Criminal Investigation provides a direct approach to investigating crimes through the use of specialized investigative procedures and the use of advanced technology, while making these resources available to local and county law enforcement officials. The State Police works closely with the **Department of Revenue, Department of Insurance, State Board of Accounts, Bureau of Motor Vehicles, and the Office of the Secretary of State.**



The Laboratory Division of the State Police provides investigative services to all Indiana law enforcement agencies. Personnel conduct DNA analysis, polygraph examinations, fingerprint comparisons, and ballistics imaging. The State Police also maintains a missing children clearinghouse that serves as a central repository for all information relating to missing children in Indiana, including a newsletter and toll-free number (1-800-831-8953).

The Alcohol and Tobacco Commission (ATC) regulates the manufacture, sale, possession, and use of alcoholic beverages, and enforces laws involving the sale of the tobacco products. The ATC is comprised of a bipartisan, four-person board, which reviews recommendations from local boards in all 92 counties and whose staff assists laypersons in obtaining alcohol permits and tobacco retail certificates. The Indiana State Excise Police serve as the enforcement arm of the ATC with an officer serving on each local board. The officers enforce ATC rules and regulations governing more than 10,000 alcohol permit holders and over 100,000 employee permit holders, including bartenders, waiters, waitresses and sales staff. Excise police are also responsible for the enforcement of tobacco laws, such as those prohibiting the sale of cigarettes to minors, at thousands of tobacco retail establishments. The excise police also provide assistance to the community and sister law enforcement agencies as well as providing educational programs to Indiana school children and employee permit holders.

External Factors

State Police Bureau of Criminal Investigations responds to alleged criminal activity reported by citizens and is often asked to assist in city, county and local law enforcement investigations.

The number of ATC excise investigations increases each year. Officers coordinate many investigative efforts with community leaders and local law enforcement. One such function involves a number of public nuisances cases related to alcohol sales. The legislature delegated the enforcement of tobacco laws to the Indiana State Excise Police approximately two years ago. In 2003 the legislature increased their tobacco responsibility by adding cigarette fair trade to ATC enforcement efforts.

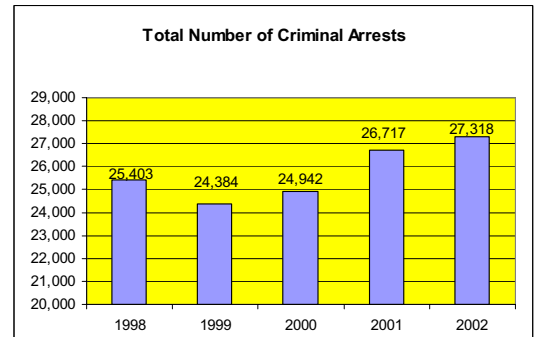
The growth of the gaming industry increases the need for law enforcement investigation in and around riverboat casinos. As the number of visitors to the riverboat casinos increases, it is necessary to assume that violations of criminal law will also continue to rise. Consequently, the presence of comprehensive law enforcement investigation will be a continuing need.

Evaluation and Accomplishments

In 2002, Indiana State Police detectives were responsible for making 27,318 criminal arrests. Drug related arrests for the same time period totaled 5,413. The Drug Enforcement personnel purchased/seized 5,500 pounds of marijuana, 18 kilos of cocaine, 32 pounds of methamphetamine, and numerous firearms and dosages of other drugs. Approximately \$1 million in cash and assets were also seized. Increased enforcement awareness of methamphetamine led to the eradication of 732 clandestine drug labs by the Clandestine Lab Response Team. The State Police Vehicle Crimes Unit continues to investigate vehicle theft related crimes. In 2002, unit

personnel recovered several pieces of stolen construction equipment having a combined value of several million dollars. The Crimes Against Children Unit continues to utilize technology in pursuing individuals who prey on children. Detectives have received several referrals from Internet providers and computer related industries. These referrals netted numerous warrants and felony arrests.

The Cyber Crime Unit was created to forensically examine computer systems for criminal justice agencies. Detectives responded to calls for assistance and have been successful in recovering deleted and covert files from systems that have been instrumental in charging and convicting defendants. Evidence has ranged from child pornography to counterfeit currency.

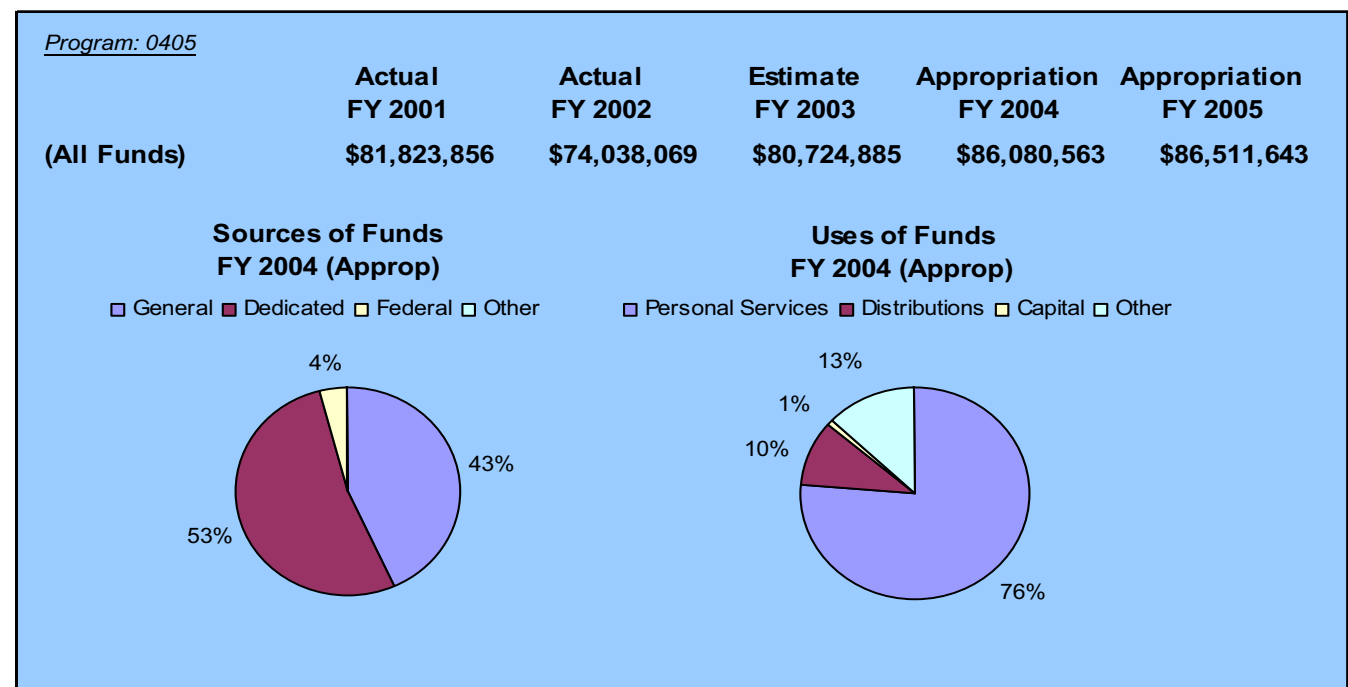


The State Police Laboratory Division provides services critical to the successful investigation of criminal offenses for all of Indiana's law enforcement agencies. The Division provides field crime scene services through laboratory field technicians stationed at each State Police district. Analytical personnel reported the analysis of 14,414 cases. Additionally, division employees conducted over 580 polygraph examinations and printed over 180,400 photographs. Latent fingerprint cases totaled 536 for 2002. Forensic scientists testified as expert witnesses on 383 occasions. Field technicians collectively processed over 1,600 crime scenes and spent over 986 hours presenting court testimony. Approximately 80% of analytical services and 50% of field services provided were in support of county and municipal police agency investigations.

Plans for the Biennium

The Law Enforcement Investigation program will emphasize:

- The emphasis of interagency communication and involvement
- The utilization of new technologies in the expansion of the Cyber Crime and Crimes Against Children Units
- To increase enforcement against those who provide alcoholic beverages to minors
- To increase enforcement against those that serve individuals to a point of intoxication
- To increase education and enforcement in regards to tobacco laws and certification
- To create new laboratory space that will house labs for the Indiana State Police, the State Department of Health, and the Department of Toxicology



Corrections Offender Housing

Mission

To protect public safety and promote offender rehabilitation through the maintenance of safe, secure correctional facilities.

Summary of Activities

The **Department of Correction (DOC)** on July 1, 2003 housed 20,850 adult male felons. Of these offenders, 18,870 are housed in one of 24 prison facilities located around the state. Another 650 are housed on a contractual basis in out-of-state private sector prison beds, while 1,330 are in county jails. Counties are reimbursed for the cost of housing state prisoners in county jails at a rate of \$35 per day. The adult female population is 1,639, of which 87 are in county jails.

39% of adult offenders are incarcerated for crimes against other persons. 21% have been convicted of property crimes, with another 20% incarcerated for substance abuse violations. 19% of offenders are classified as maximum-security offenders, 71% as medium security, and 10% as minimum-security offenders.

The above referenced offenders have the following sentence lengths: 4% with lengths of 1-2 years, 20% at 2-5 years, 24% at 5-10 years, 11% at 10-15 years, 11% at 15-20 years, and 26% at 20 years and over. There are currently 38 offenders assigned to Indiana Death Row and 66 offenders with a sentence of Life without Parole. There are also 33 offenders under the age of 18 housed in adult facilities. The average age of an adult offender is 35 years.



The DOC Central Office provides a number of coordinating services for Indiana's correctional system. It is responsible for assigning offenders to the most appropriate facility and program, as well as maintaining offender records and scheduling offender release. Offenders are placed in the least restrictive appropriate security levels for the protection of the public and offenders. Using modern equipment, technology, and techniques, DOC staff are prepared for handling disturbances, high-risk offenders, and the care of staff in high-stress situations. Through the efficient transfer and movement of offenders, the DOC ensures that housing facility resources are maximized.

External Factors

The number of adult offenders housed by the DOC has increased from 14,221 in 1993 to 22,576 on July 1, 2003, an increase of 59%. As these trends continue, greater expenditures are required to build new prisons and provide custody staff and other prison personnel. The most recent long-term population forecast indicates by July 1, 2010, population levels will be 27,775 adult males, and 2,235 adult females.

The General Assembly provided no additional money for the opening of new beds at the recently completed New Castle and Miami Phase 2 facilities. This financial constraint will challenge the DOC to provide efficient housing for the projected population increase of over 2,000 offenders through June 30, 2005.

Evaluation and Accomplishments

Despite the ever-increasing offender population, the DOC has been able to achieve great success in maintaining the safety of the public, staff, and offenders. It has maintained a low number of escapes and a low number of major disturbances. The DOC is working to establish performance measurements regarding the safety of offenders and staff.

The DOC has a well established Youth Incarcerated as Adult (YIA) program that serves male offenders under age 18 and extends to youthful offenders through age 21 as needed. This program is housed at the Wabash Valley Correctional Facility for all male offenders except those classified as minimum security who go to Medaryville for a YIA program.

Currently the DOC is receiving technical assistance to examine the adult classification system. The current classification system has not been revisited since the early 1990s.

The DOC is also in the process of creating a case management system for adult offenders. While this is in the early planning stages, it is the hope of the department to be able to provide a continuum of services for the offenders from intake through release to parole or probation. The department is working to match the offender needs with applicable programs, and thus produce more productive citizens upon their release back to the communities.

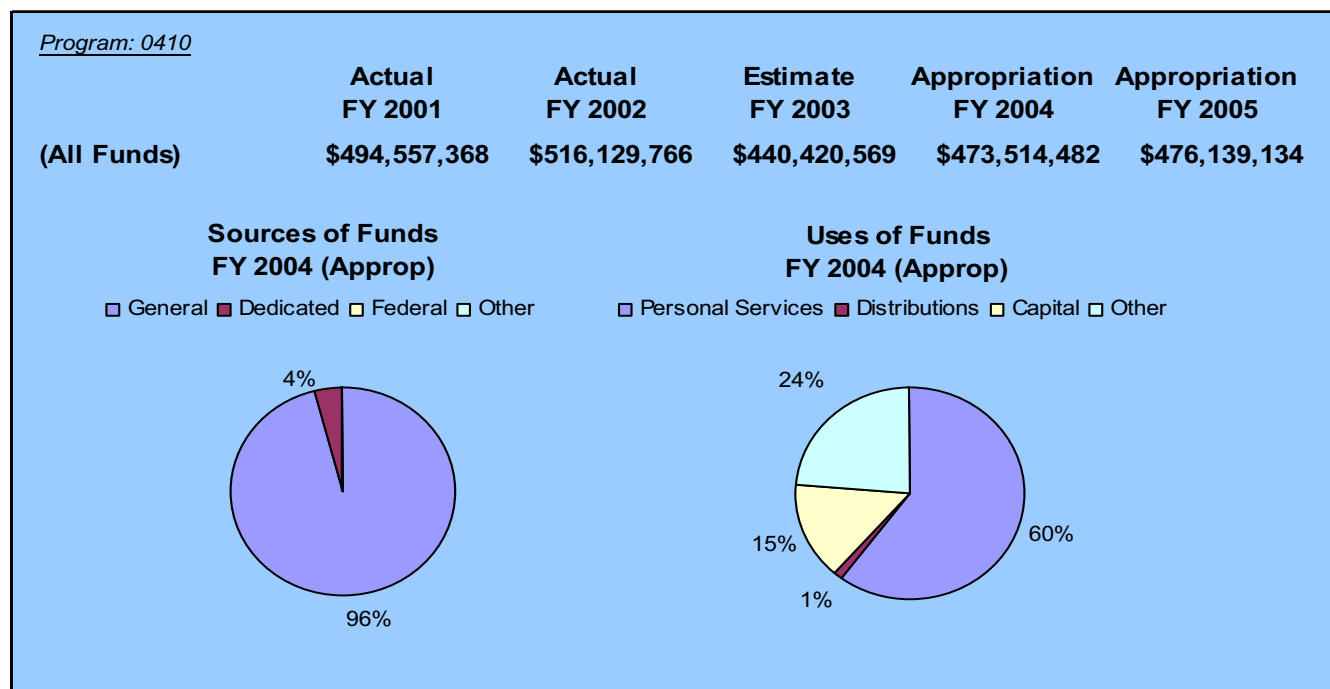
Plans for the Biennium

1. Implement a new pay scale for adult offenders.
2. Continue to employ private sector companies to supplement DOC bed count.
3. Classify offenders to the proper security levels in order to maximize public safety.
4. Continue to train and prepare emergency response teams.

Special Initiatives

Miami Correctional Facility Phase II - completed. The completion of the Miami Correctional Facility, when fully operational, will add 1,632 beds to the DOC for the incarceration of adult males. The total cost of operations, including Phase I, was approximately \$53 million. Currently four housing units are in use, 800 males. Three of those are funded with Phase I monies and the other unit is funded strictly with overtime monies. These 800 offenders have limited programming and services.

New Castle Correctional Facility - completed. The DOC built a Special Needs Facility to house 1,868 offenders. Programming, when fully operational, will include therapeutic substance abuse communities, elements of the Department's Sex Offender Management and Monitoring Program, assisted living, infirmary, and mental health populations. Currently the mental health unit, assisted living unit, and one general population unit is housed.



Corrections Offender Programs

Mission

To promote and operate a continuum of programs that enhances security and safety and fosters the integration of the offending individual into the community.

Summary of Activities

The Department of Correction (DOC), Division of Programs and Community Services offers a variety of programs for offenders. They include educational opportunities in 27 juvenile and adult facilities. Based on an assessment of student needs, courses include literacy, adult basic education, GED, high school, vocational, and post secondary classes. Associate and bachelor degree programs are offered through Indiana universities and colleges.

Health services and clinical services at facilities include general and specialty outpatient, dental, nursing coverage, chronic care, intake and screening, mental health care (residential and outpatient), infirmary, dialysis and emergency care. Hospital care is provided off-site. With the exception of nursing care, most health services are provided by contractual providers.

Community involvement and religious services include religious worship, instruction, and spiritual care consistent with an offender's preferred faith. The DOC also assists victims and witnesses by notifying those regarding releases and other changes in offender status.

Holistic substance abuse programs focus on accountability and correcting "think errors" (cognitive restructuring). The programs use incentives and sanctions. Drug testing is an integral part of these programs. Traditional twelve-step programs are also offered. During 2002, over 70,000 hours of clinical services were provided to over 7,700 offenders, with more than 4,000 successful completions. Productivity by the department's substance abuse program continued to increase significantly. In addition a 144-bed intensive Therapeutic Community treatment program was implemented in late 2002. This program was developed utilizing federal funds, and is located at New Castle Correctional Facility, a new special needs facility.

Recreation programs provide opportunities for structured recreational activities. There are gymnasiums in the major facilities where approximately 150 full-time recreation staff deliver both active and passive activities, including basketball and arts and crafts. Programs for juvenile offenders include field trips, swimming, and camping. Adaptive activities for offenders with physical or mental disabilities are provided.

The DOC transition program provides all adult offenders who are nearing the end of their term of incarceration with information and skills designed to aid successful reintegration into work, family and community life. Four-thousand, twenty-four (4,024) offenders completed the standard program, offering eighty hours of instruction at seventeen facilities, in 2002. Another 4,071 received an abbreviated program. Cognitive behavioral programs and other evidenced based components were added to the curriculum during 2002.

The Sex Offender Management and Monitoring Program is a research-based, three-phase approach to managing and monitoring adult sex offenders. Phase I consists of a mandatory, fifteen-hour awareness program in which offenders are challenged to take responsibility for their actions. Phase II occurs during incarceration at one of eight facilities and includes risk assessment and a cognitive-behavioral program. The purpose is to increase staff and offender understanding of the offender's sex offense cycle, allowing for development of relapse prevention and community supervision plans. Phase III is the community component where offenders released to parole or probation participate in treatment and are subject to intensive supervision and polygraph exams. Treatment is focused on community safety and the needs of victims, rather than the needs of the offender-client. The DOC currently has about 3,200 sex offenders incarcerated and 500 under parole supervision.

External Factors

The need to provide effective correctional programming is an ongoing goal for the department. As the number of offenders continues to increase, the need for additional staff to provide programs also increases. Several factors influence the type of programming offered. For example, 85% of DOC offenders have a significant history of substance abuse. Also, rising public concern about sex offenders has led to statutes developing a sex offender

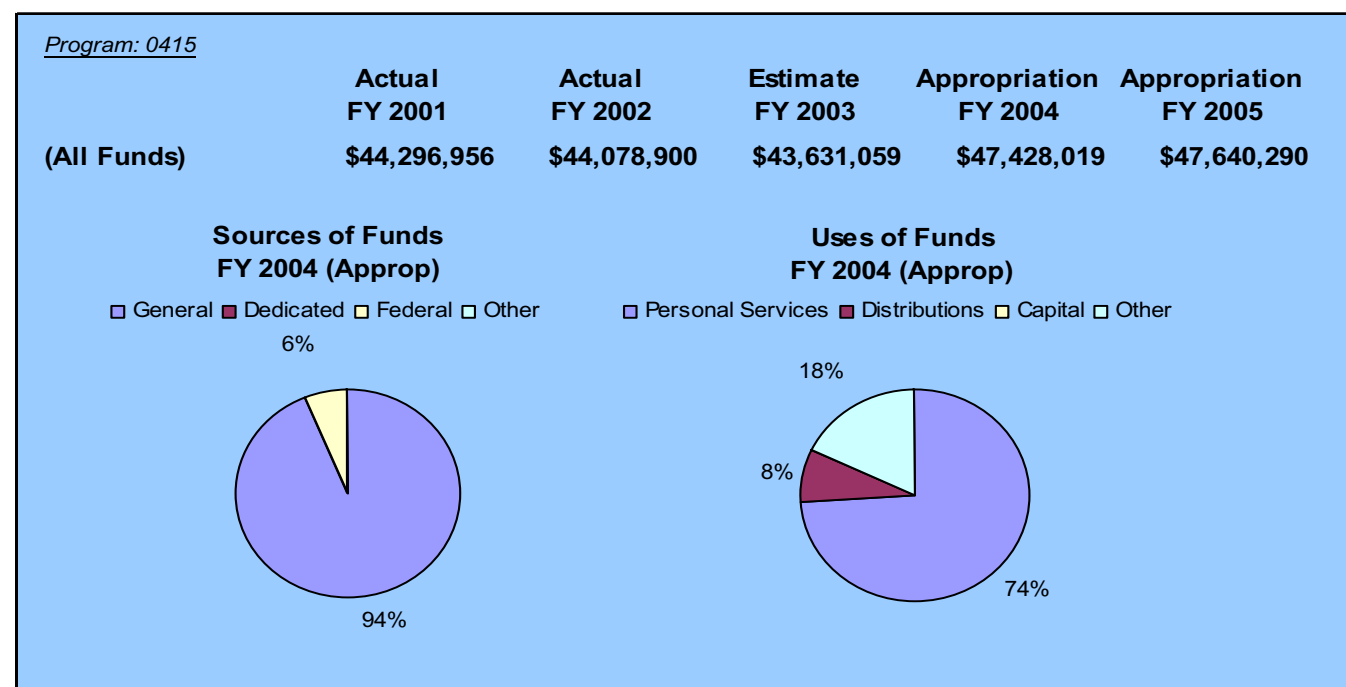
registry, requiring sex offender registration, mandating DNA sample collection, and placing restrictions on where sex offenders may reside in relation to schools and day care centers.

Evaluation and Accomplishments

Although total educational enrollment was down 4% in FY02/03, program completion increased by 14%. During FY03, there were over 331,000 bed days of credit time earned as a result of offender's successfully completing substance abuse programs. Overall productivity in the Substance Abuse Program increased by 25% in FY03 compared to FY02. The Westville Therapeutic Community (Substance Abuse) won the Indiana Correctional Association Program of the Year award in 2002. A Director of Case Management position was created by reallocation of resources. This new position will take the lead in implementing and improving case management for adult offenders. The programs area increased its focus on individual best practice approaches in several areas. This included increased utilization of cognitive behavioral techniques in substance abuse and transition programming.

Plans for the Biennium

The Education Services Division will establish a Common Core Database to provide data to verify and measure the Division's, as well as the local school's, progress in programming and individual student achievement. The database will support the reporting and analytical requirements of the Department and other state and federal agencies. The Department of Correction will continue to work with other criminal justice stakeholders to improve the management of Indiana Sex Offenders, and develop and implement SOMM programming at the New Castle Correctional Facility, as funding becomes available. The Department will reduce waiting lists for eligible offenders to receive substance abuse programs by expanding the availability of intensive Substance Abuse Therapeutic Community Treatment beds. They will continue to develop a restorative justice program that will benefit both victims and offenders. Programs to explore include victim awareness, impact panels, family group conferencing, service-restitution and mediation. The Department will improve the overall case management approach in dealing with the adult offender population. Resources were re-allocated to develop a Case Management Director's position to facilitate this important initiative. Recruitment for this critical position is currently in process. The current Transition Program will be reviewed and revised. This will be necessary to appropriately complement the increased focus on case management as well as to support increased utilization of the Community Transition Program.

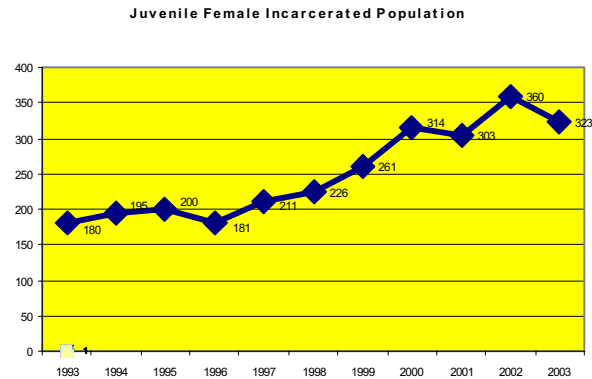


Juvenile Corrections

Mission

To provide safe, secure incarceration of juvenile offenders while promoting treatment and rehabilitation.

Summary of Activities



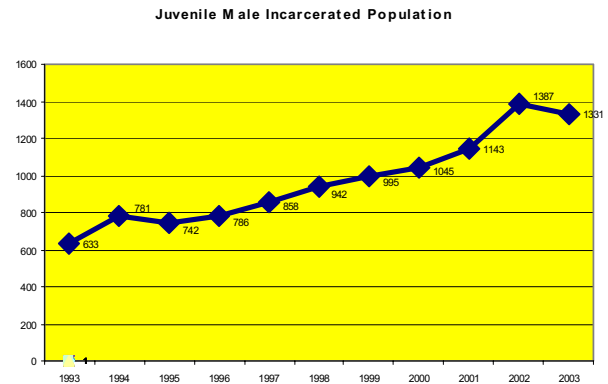
The **Department of Correction (DOC)** Division of Juvenile Services is responsible for providing quality rehabilitative treatment opportunities to youth who have violated the law and have been committed to the DOC. The DOC operates 10 juvenile facilities — 2 for females, and 8 for males, including the male intake facility in Logansport.

In addition to the 10 facilities operated by the DOC, the state also contracts with 5 private companies to provide residential treatment services to juvenile males and females who have been committed to the DOC but for whom space is not available in a state facility. On July 1, 2003, there were 1,654 juveniles in the DOC — 323 females, 1331 males; 1451 in a state facility, 203 in contract placements.

While in custody, juvenile offenders participate in a variety of programming opportunities to address their various needs. Education and special education, cognitive behavioral programming, anger management, recreation, sex offense treatment, substance abuse treatment, individual and group counseling, conflict resolution and community programming are among the programs offered. Upon release from a facility, the majority of the juveniles are placed on aftercare supervision, which can consist of supervision by a Youth Service Transition Specialist or a Parole Agent and involve intervention from a variety of community service providers including a contracted mentoring program (AIM).

Foster or group home placement is available for those youth who cannot return to their homes. The DOC also contracts for intensive family preservation/wrap-around services for paroled juveniles on an as needed basis.

The **Criminal Justice Institute** administers federal juvenile justice delinquency prevention grant funds to promote, facilitate and coordinate the efforts of juvenile programs throughout the state. An example is a program known as Community Systemwide Response (CSR). Operated through **Purdue University's** 4H Extension Office, CSR encourages members of communities who have an interest in youth or who administer youth services to come together to develop strategies to prevent and reduce delinquency.



External Factors

The rate of commitments to the DOC Juvenile Services Division of both males and females has been steadily increasing. Recent projections indicate that they will continue in an upward direction. This will ultimately require increased state expenditures for facilities, personnel and additional programming.

Evaluation and Accomplishments

In August of 2001, the Juvenile Services Division implemented a Comprehensive Case Management System (CCMS). This system takes into consideration both historical and current effective practices in corrections. Youth are classified to the least restrictive environment, based on risk and needs assessments, along with a variety

of other individualized assessments. Youth are provided with a seamless continuum of services designed to increase skill level in an effort to reduce future criminal activity and protect the community.

Individual plans are developed matching criminogenic needs to programs and services. Youth progress through their treatment programs by increasing their prosocial skills and abilities. As dynamic risk factors decrease and prosocial skills and abilities increase, youth receive increased levels of responsibility and independence.

The CCMS strengthens transition efforts between institutional staff, field staff, community service providers, the youth and his/her family.



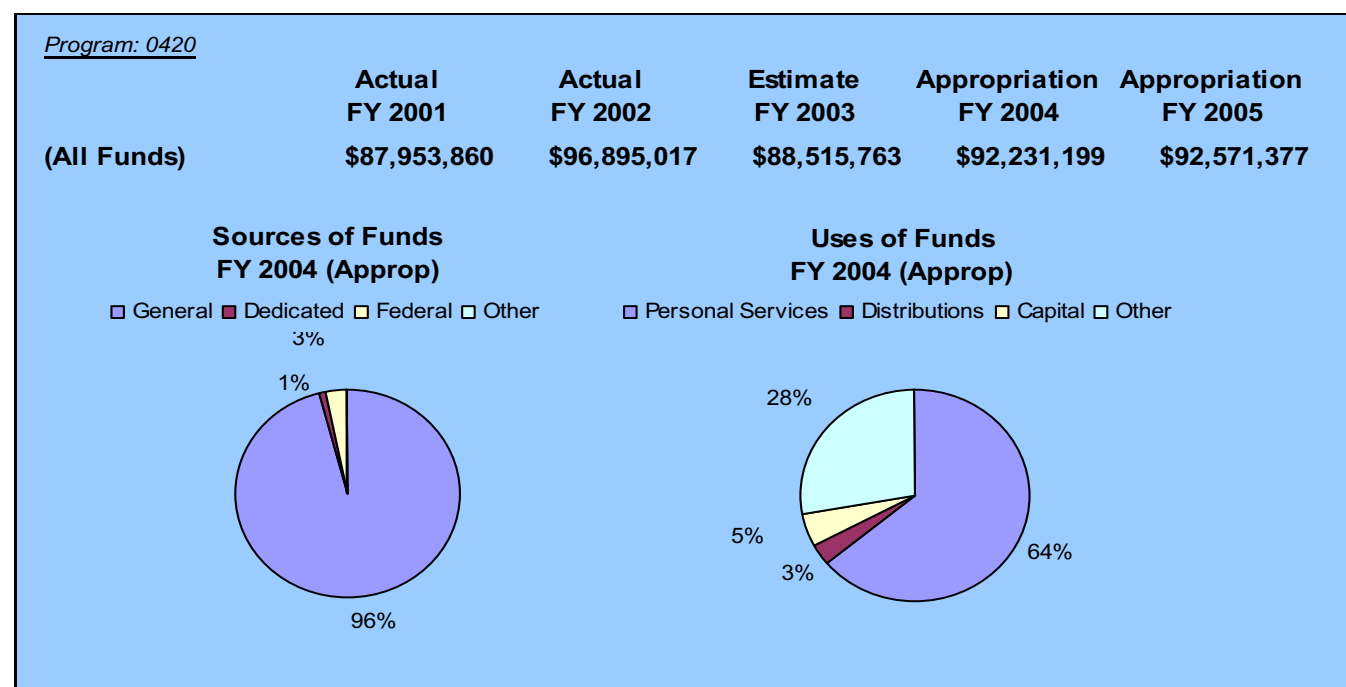
Pendleton Juvenile Correctional Facility

The Juvenile Services Division has begun assessing each facility's core programming using the Correctional Program Assessment Inventory (CPAI). The CPAI measures eight dimensions of the facility and treatment programs based on the principles of effective correctional treatment. All ten juvenile facilities have been assessed for their benchmark standard of where they currently are. Each facility is now developing action plans to raise the standard of their programming to meet the goals of the principles of effective correctional treatment as set out by the CPAI.

The Superintendents of Logansport Juvenile Intake/Diagnostic Facility and Fort Wayne Juvenile Correctional Facility have developed survey instruments that are sent to various stakeholders in the juvenile offender system. Survey results are used to ensure that programs are providing maximum effectiveness and efficiency.

Plans for the Biennium

The DOC has begun construction of a 150-bed unit at the Indianapolis Juvenile Correctional Facility with funding provided under a federal grant. The juvenile female population is currently 69% over rated bed capacity. This expansion will allow the DOC to eliminate the juvenile female contract beds. The DOC will develop a uniform, competency-based educational system for all facilities.



Prison Industries and Farms

Mission

The mission of PEN Products is to obtain a return on investment so offender jobs can be established and maintained.

Summary of Activities

PEN Products manages thirteen manufacturing locations and two farm operations in thirteen Department of Correction facilities throughout the state. PEN Products' operating expenses are funded by the sale of the products with no operating money received from the state general fund. The 2,090 offenders employed in these operations work in meaningful positions, while learning job skills and a work ethic. Offender employment is crucial to a correctional operation as it reduces inmate idleness. Idleness reduction preserves state property and promotes a safer environment for both the 232 PEN Products' employees and the offender population.



Traditional industries are the largest business group, with 751 offenders employed. These industries produce license plates, metal furniture, offender clothing, janitorial products, office furniture, mattresses, printing, highway signs, park furniture, picnic tables, and shelter houses. The majority of these products are sold to state agencies, cities, and counties. Traditional industries represent 65% of PEN Products' revenue.

The farm and food business group is the second largest in revenue employing 616 offenders. The farm and food group is organized into three business segments: 1) farming operations, which produce grain, vegetables, beef cattle, and timber; 2) food processing, which produces baked goods, cottage cheese, frozen beef, poultry products, frozen fruits and vegetables, milk, and flavored drinks, and 3) food service operations. The farm and food group represents 27% of PEN Products' revenue. Business in the farm and food group is growing and is expected to continue to grow in the future. The newest growth segment in this group is food service. PEN Products now operates food service at two DOC facilities and has plans to assume management of at least two more per year for the next 5 years.

Partnerships with private businesses employ 723 offenders including commercial laundry, pallet repair, commercial packaging, coil assembly, wire harness production, data conversion-Geographic Information Systems (GIS), contract sewing, hickory furniture manufacturing, the painting of duck decoys, and the re-manufacturing of auto parts. These items are sold to the private sector, either through the federal prison industry enhancement program or as services. These partnerships with private businesses represent 7% of PEN Products' revenue.

External Factors

There are three primary external factors that affect PEN Products: offender population growth, procurement law changes, and other state agency policy changes.

The most significant is the growth of the offender population. From 1996 to 1999, the offender population grew 6% per year. PEN Products must continually find either new industries or grow current industries to provide additional offender jobs.

Changes in the procurement use law have had an impact on PEN Products as well. For example, the last change statutory required prison-made products to be sold at a fair market price. This has caused the elimination of some products and some product lines. While in the short term this had a negative impact on offender employment, in the long term it has help focus PEN offender employment in more meaningful jobs.

Changes in agency policies also have impacted PEN Products. A good example of this can be seen in license plate production. Twelve years ago, plates were replaced every year. That requirement changed to a three-year cycle, then subsequently changed again to a five-year cycle. This impacted inmate employment significantly in non-plate production years. Additionally, the change from the embossed plate to the flat plate in 2003 renewal year has required a significant investment in equipment, software, and staff to implement this change. These agency changes impact PEN Products' ability to maintain self-sufficiency and expected return on investment.

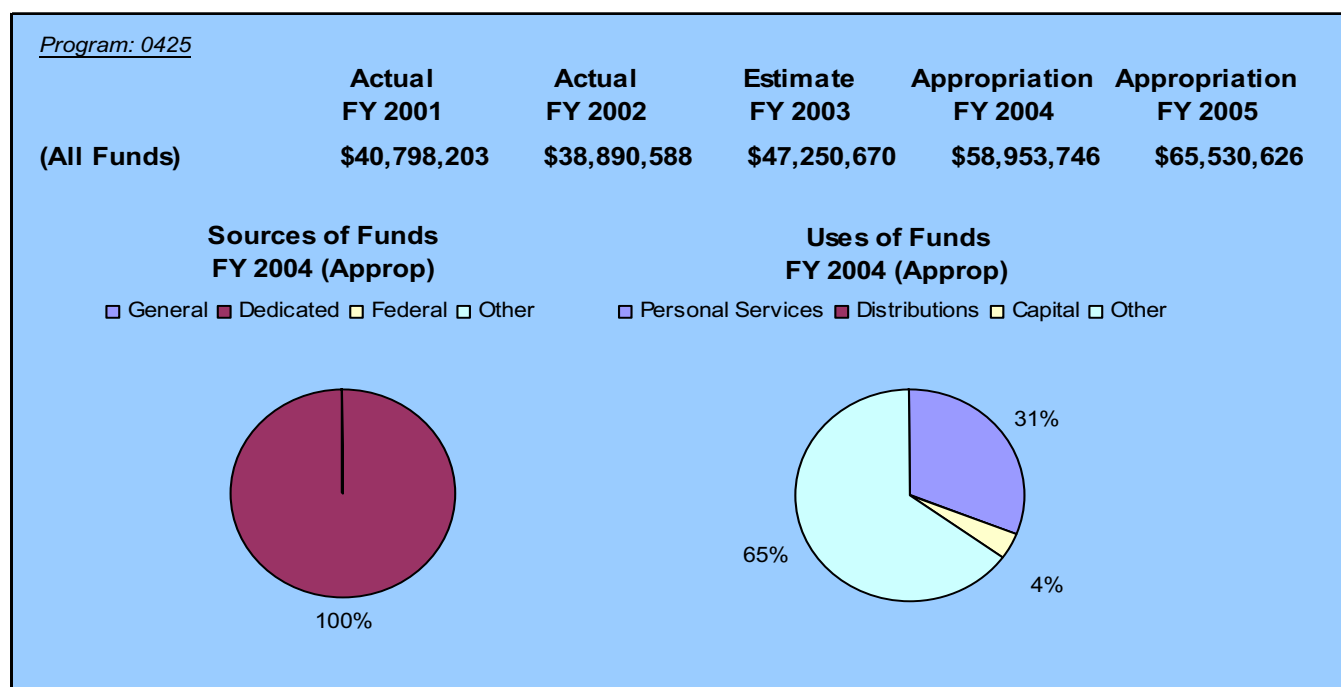
Evaluation and Accomplishments

The continued growth in offender population requires a corresponding increase in the availability of offender jobs. During 2001-2003, 225 offender jobs were added, a 12% increase, which exceeded the overall growth rate of the offender population. The number of joint ventures with private sector businesses increased, as did the farm and food group.

PEN Products continues to fund current operations from revenues generated thorough the sales of products, without an appropriation from the state General Fund. PEN Products had its highest revenue year in 2003, generating sales of over \$46 million.

Plans for the Biennium

PEN Products has four primary objectives: 1) implement the Offender Employment Operating Standard in the food service operations as well as the other traditional industries and farms sites that do not have them; 2) start up PEN Products' new business segment, commissary/distribution, in which PEN Products will offer new services to its customer base; 3) increase offender employment by 8% in each year of the biennium by continuing vertical integration in PEN's farm and food group, growth in joint ventures with the private sector, and the introduction of new products in PEN's traditional industries, and, 4) continue to fund PEN's operations, including growth without a general fund appropriation.



Community Corrections

Mission

To foster the development and operation of programs and advisory boards that enhance coordination of the local criminal and juvenile justice systems and diversion of non-violent offenders from incarceration.

Summary of Activities

Community Corrections programs offer an intermediate level of sanction for criminal offenders, between full incarceration and release. Programs in Indiana are implemented at the county level, with state administration provided by the **Department of Correction (DOC)**. There are currently sixty-six counties with community corrections programs.

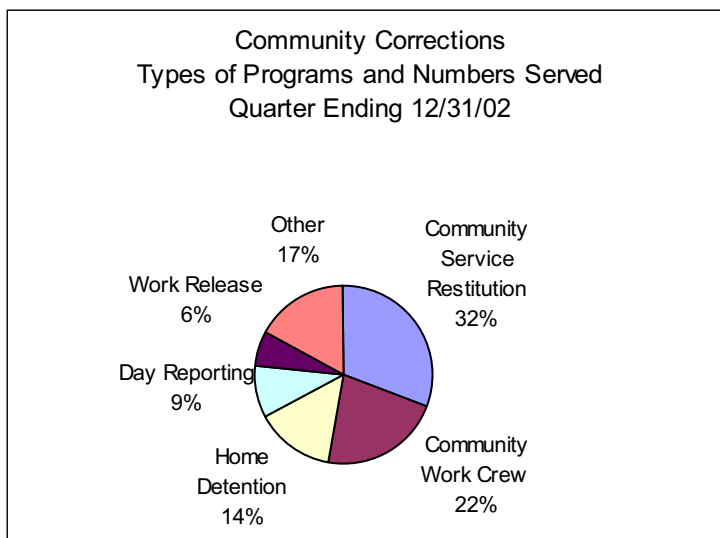
Local programs are operated as independent county agencies by not-for-profit agencies under contract to the county, or as a division of the local probation or sheriff's department. Common components of local programs include house arrest with electronic monitoring, work release, community and restitution service, road crew work detail, day reporting, and victim / offender mediation. Counties, or a combination of counties, are the only local entities that are eligible to receive state funding for community corrections programs. Participating counties must establish a community corrections advisory board. The board's main duty is to formulate the local community corrections plan, the basis for receiving funding from the state, and to apply for financial aid from the DOC. The board also reports annually to the county fiscal body with an evaluation of the effectiveness of the program and recommends improvement, modification, or discontinuance.

The DOC is required to adopt rules concerning the content of community corrections plans, the distribution of funds, and minimum standards for program operation. The DOC is also responsible for providing consultation and technical assistance, training for corrections personnel and advisory board members, informing counties of money appropriated, and providing an approved training curriculum for community corrections field officers.

External Factors

Statutory sentencing limitations are a significant external factor affecting community corrections, because they limit the discretion of judges to direct offenders toward more cost-effective community corrections programs. As additional "mandatory minimum" prison sentences are established for certain offences, such as DUI and sex crimes, the pool of offenders eligible for community corrections programs is reduced.

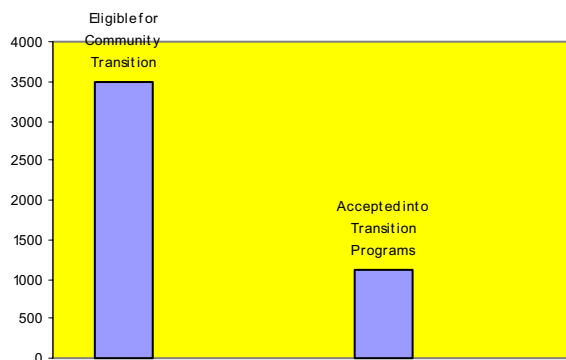
Evaluation and Accomplishments



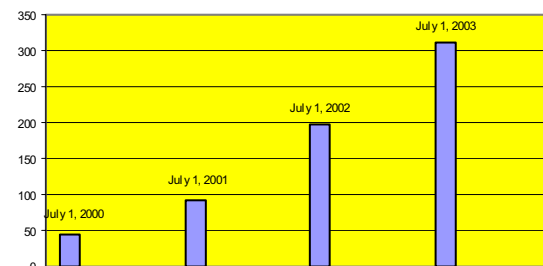
The number of counties participating in community corrections programs has increased from 19 in 1986 to 66 today. On December 31, 2002, there were 16,330 adult offenders on community corrections programs with 43%, or 7,022, being felons. It is conservatively estimated that 50% of the 7,022 felons, or 3,511, would have been incarcerated in DOC facilities had it not been for local community corrections programs, and this has meant a savings of 1,281,515 bed days. At a per diem cost of \$57.44, the cost to Indiana taxpayers would be \$73,610,221. With a community corrections base budget of \$25,325,000, the net savings is \$48,285,221. The total cost of operating local community corrections programs is \$47,953,470 with 49.68% coming from user fees and local appropriations.

In addition, as of December 31, 2002, there were 2,625 juveniles being served with 65%, or 1,706, being a part of the target population. The target population for juvenile Community Corrections programs is nonviolent youthful offenders who have been determined by a judge to be delinquent for an offense that if committed by an adult, would be a felony or class "A" misdemeanor.

Community Transition Eligibility and Acceptance FY 2003



Monthly Average Participation in Community Transition Programs



In order to save costs for prison facilities in November 2001, a Technical Rule Violation Center was opened in Indianapolis to serve the needs of both community corrections and probation technical violators. The male facility, with a capacity of 110, is currently at capacity with a small waiting list. This facility focuses on assessments and the development of individualized case management plans complete with intensive cognitive behavioral programming with a stay of 90 – 180 days.

Plans for the Biennium

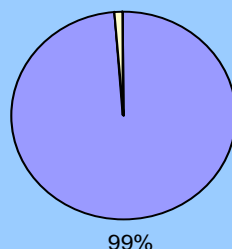
- 1) Implement only those program components that have been found through research to be effective, such as Day Reporting.
- 2) Provide assessment and case management for offenders and emphasize treatment of offender needs rather than surveillance.
- 3) Target those populations at greatest risk for incarceration and provide preventive and intervention services.

Program: 0430

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$15,628,546	\$23,124,062	\$25,480,934	\$25,480,934	\$25,480,934

Sources of Funds FY 2004 (Approp)

☐ General
 ☐ Dedicated
 ☐ Federal
 ☐ Other



Uses of Funds FY 2004 (Approp)

☐ Personal Services
 ☐ Distributions
 ☐ Capital
 ☐ Other



Parole and Probation

Mission

To provide supervision of offenders placed on parole and probation in a manner that allows for the protection of the public and the successful reintegration of the offender into society.

Summary of Activities

The **Department of Correction Parole Services** includes parole officers, central office and district supervisors, substance abuse counselors, and administrative support staff. A total of 128 employees are presently working in Parole Services. Currently approximately 7,000 adult and juvenile offenders are under parole supervision.

Parole Services continues to dedicate considerable resources towards reducing substance abuse among paroled offenders. During calendar year 2002, 11,000 drug tests were administered by district staff. Positive drug tests in Parole have been on a consistent decline since 1997. In 2002 random positive drug tests were reduced by 10%, baseline positives were reduced by 7%, and for cause tests were reduced by 17% as compared to 1997.

In addition to drug testing, Parole Services also manages treatment alternatives for offenders who abuse substances. During 2002, 454 paroled offenders were referred to the Zero Tolerance Program, which includes such components as residential, electronic monitoring, day reporting, and a variety of outpatient treatment resources. Approximately 42% of the parolees referred successfully completed the program requirements. Had these alternatives not been available, it is likely most of them would have been returned to DOC confinement for violating the conditions of parole or committing new offenses.

The DOC has implemented the Sex Offender Management and Monitoring (SOMM) Program, to identify offenders in need of enhanced supervision and mandatory sex offender treatment. At the present time, 495 sex offenders are being supervised under the SOMM program. In addition to more intensive supervision, sex offenders are subject to additional parole conditions which targets behavior likely to raise the risk of an offender committing a new offense. This includes requirements to attend community based sex offender treatment programs and monitoring of behavior with the use of polygraph testing. . These tests are critical in measuring offender compliance with the stipulations of parole supervision. Since the beginning of the SOMM program, 884 polygraph examinations have taken place. Currently, 434 offenders are required to attend community based sex offender treatment programs.

Parole Services has also begun using community based Technical Rule Violation (TRV) Centers as an alternative to returning technical violators to DOC facilities. Like many states, the increase in technical parole violators has placed considerable pressure on the departments' available offender housing. Using TRV programs as an alternative has the benefit of keeping the offender out of the Department, but also can provide community based treatment alternatives designed to target the offenders' behavior.

Probation is a proven cost-saving measure to the State since it reduces the incarceration rate. There are currently 1,259 probation officers in the State. The **Indiana Judicial Center** assists the local courts in developing and improving probation services. It conducts testing and certification of probation officers, and sets statewide standards for the operation of probation services. The Center conducts education and training programs for probation officers, and administers the interstate compact regarding the transfer of probationers in and out of Indiana.

External Factors

Indiana's parole system is challenged by the continued increase in the number of offenders on parole. During the past five years, the number of paroled adult offenders has increased significantly, with little adjustment in the number of field employees. The average caseload for parole officers has increased to ninety offenders. The DOC and public overall have stressed offender accountability as a means of enhancing public safety. Duties such as drug testing, use of electronic monitoring, and closer supervision of sex offenders have all become significant factors in a parole agent's workday.

Indiana Parolees	
Men	5,431
Women	559
Boys	875
Girls	233

Evaluation and Accomplishments

Despite large caseloads, the DOC has been able to enhance the level of supervision required of offenders and develop measures to implement appropriate sanctions when violations occur. Increased emphasis on drug testing and intervention continue to reflect a reduction in positive drug tests by paroled offenders.

The SOMM program has grown significantly, through increased service providers and improved supervision strategies during the past several years. The program will continue to be refined as the Department gains experience in supervising this high-risk population.

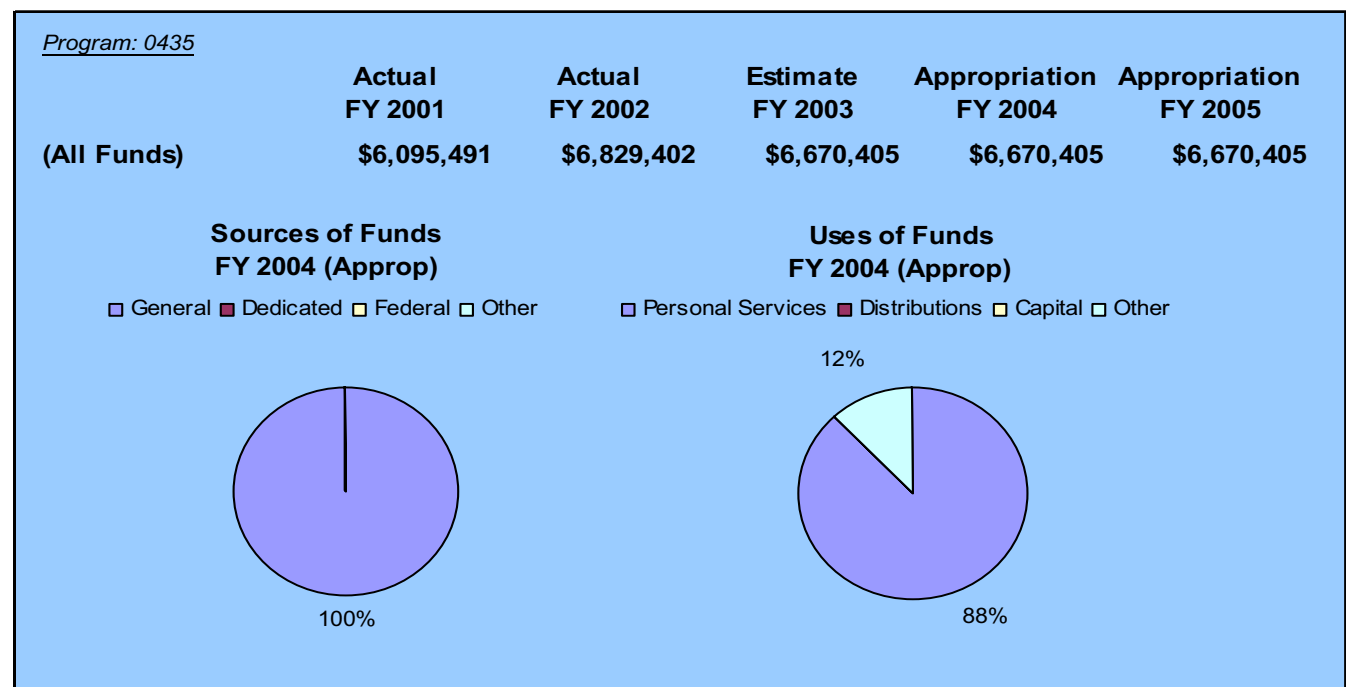
During the past two years, the Department has implemented Parole Caseload Management (PCM) as an automated system for tracking offenders on parole and monitoring parole agents' casework. This system is ready for the next step in implementation which will include tracking of parole violator reports in order to ensure that policies and standards concerning parole revocation are met.

During the last biennium, the Judicial Center provided probation officers with 30 days of instruction; total attendance was 3,051. The Center facilitated the transfer of 3,798 probationers out of state and 2,657 probationers into the state, and also processed 20,875 written inquiries, replies, and reports concerning active interstate probation compact cases. 265 runaways were also processed. The Center administered the probation officers' certification examination to 375 applicants.

In July of 2003, Indiana became the 43rd state to join the new Interstate Compact for Adult Offender Supervision, which permits adult probationers to move from one state to another under supervision. A new state council for interstate adult offender supervision has been created, which will be chaired by the executive director of the Judicial Center and staffed by the Center, as well.

Plans for the Biennium

Several projects during the next two years will be initiated in order to better manage offender population as well as implementing practices consistent with the "What Works" strategy promoted by the National Institute of Corrections (NIC). This includes developing the Transition from Prison to Communities Initiative (TPCI) through a recently awarded technical assistance grant by NIC. This will allow the department to implement the TPCI model recognized as an effective means to assist offender transition from prison, and also benefit public safety overall. The Department will develop a comprehensive case management system that will be used during all phases of incarceration from intake through release, transition and discharge. The Department will also continuing to pursue opportunities for collaboration with Community Corrections, county probation and other correctional agencies throughout the state.



Emergency Management & Public Safety

Mission

To protect the public health and safety and to preserve the lives and property of the people of the State of Indiana.

Summary of Activities

The **Adjutant General** is responsible for the overall management of the Indiana Army and Air National Guard, comprised of 14,000 Indiana citizens located in sixty nine armories and two air bases statewide. Guardsmen must be prepared to respond to state emergencies and maintain federal readiness standards. The Indiana National Guard serves the citizens of the state and the nation in peace and in war.



The **State Emergency Management Agency (SEMA)** is responsible for the maintenance of a level of operational readiness (personnel, equipment, facilities and supplies) to respond to any contingency that may threaten or occur within the state. This includes the coordination of all state resources on behalf of the Governor.

The Emergency Medical Services Division within SEMA is responsible for the development, promotion, and maintenance of an effective system of emergency medical services. This responsibility includes the regulation, inspection, and certification of services, facilities, and personnel engaged in providing emergency medical services.

The **Department of Fire and Building Services**, which houses the **Office of the State Building Commissioner**, is tasked with the enforcement of the adopted building code requirements for site-built structures other than one- and two-family dwellings. The Department is responsible for the periodic inspection of all lifting devices throughout the state to ensure compliance with the Elevator Safety Code, boiler and pressure vessel devices for compliance with code, and amusement devices for compliance with the Amusement Device Code. The Office is responsible for the review of all projects filed with the Plan Review Division.

The **Office of the State Fire Marshal** is responsible for fire safety inspection of approximately 40,000 occupied buildings throughout Indiana, with the exception of one- and two-family homes and manufactured housing units. The Fire Marshal also assists local fire departments in determining the causes and origins of fires, and conducts investigations into crimes involving fire. The Fire Marshal provides assistance to local fire departments and emergency response units with hazardous material incidents. It also promotes the development and delivery of training and education to ensure that individual and groups with key emergency management responsibilities have the knowledge, skills, and abilities to perform their jobs effectively.

External Factors

The most significant external factor affecting the Indiana National Guard is the ability to recruit and retain citizen-soldiers to meet federal mandates. The level of federal funding that goes to the Indiana National Guard is tied to the number of its citizen-soldiers. This translates to jobs for Indiana citizens and \$250 million in federal funds coming into Indiana communities.

SEMA activities are highly subject to unpredictable weather, natural disasters and terrorist events.

Evaluation and Accomplishments

The Indiana National Guard has been very successful maintaining its strength, currently ranked 5th in the nation. Camp Atterbury, located near Edinburgh, Indiana, was activated for the first time since World War II on February 27, 2003 for the mobilization of soldiers supporting Operation Enduring Freedom. 6,235 soldiers from 34 Army

units have been processed through Camp Atterbury to support our war on terror efforts. As a result of the activation, \$50 million in federal dollars have infused into the local economy to support payrolls of Hoosier soldiers assigned to Camp Atterbury, and for goods, services and supplies. Since July 2002, 43 Indiana Army National Guard units comprised of 2,892 personnel have been activated to support overseas efforts in Iraq and Afghanistan and Homeland Defense in Indiana. The Indiana National Guard has supported many Federal missions relating to the war on terror providing over 790 personnel flying F-16 aircraft and supporting ground crews.

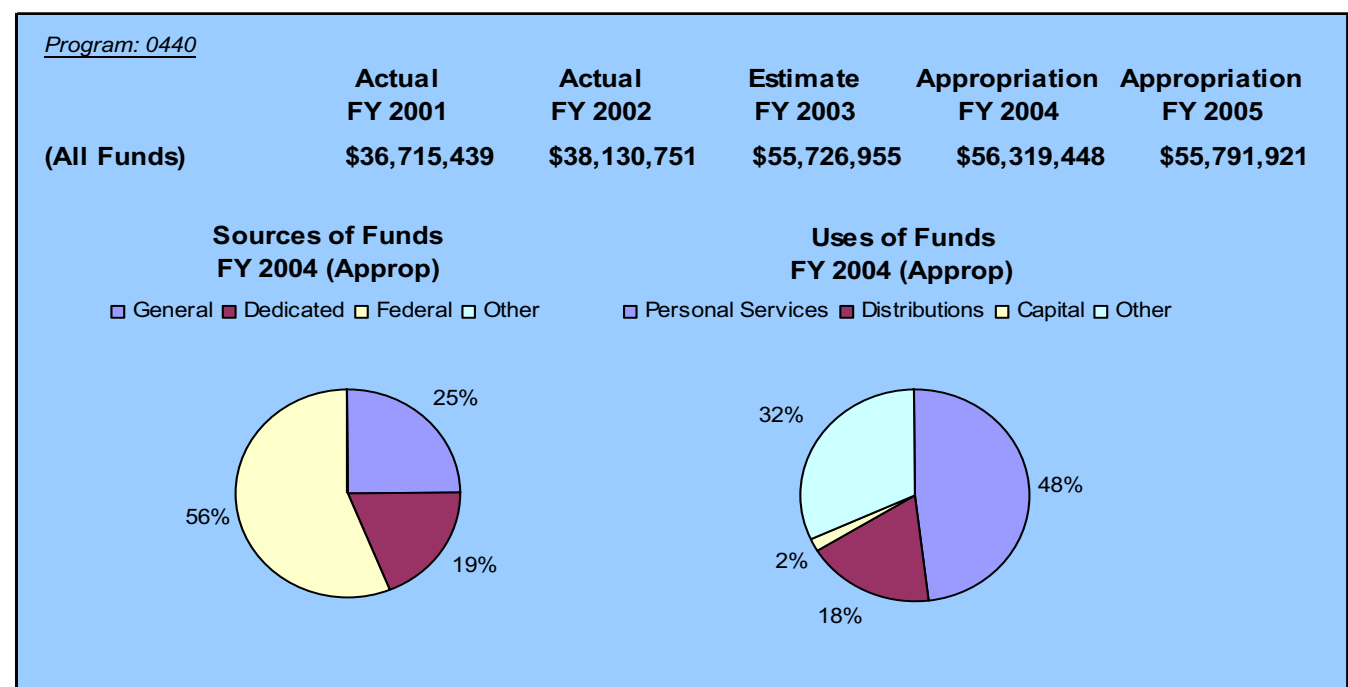
Since 1990, SEMA has responded to and administered 17 Major Disaster/Emergency Declarations by the President of the United States, as well as numerous other emergency/disaster situations that were not of sufficient magnitude to receive federal assistance. SEMA is responsible for administering millions of dollars in federal disaster assistance and Department of Homeland Security grants every year.

The State Building Commissioner has implemented E-filing or electronic filing of plans to the Plan Review Division. E-filing allows for faster turnaround time in the filing process as well as great savings in time and money for both the citizens of the State and the Department. The State Fire Marshal continues the implementation of a program on college and university dorm fire safety that has been presented to institutions of higher education. This program emphasizes the need for fire safety in college student living environments. The Juvenile Firesetter Task Force has expanded its outreach to at risk children. The Office of the State Fire Marshal has developed a program to effectively track the number of juvenile set fires in Indiana in an effort to create appropriate assistance to the children and their families.



Plans for the Biennium

All of the agencies that contribute to emergency management and public safety plan to continue the maintenance of a level of operational readiness to respond to any contingency that may threaten/occur within the state.



Courts

Mission

The mission of the Courts is to decide cases, manage the operation of the State's justice system, and regulate the practice of law.

Summary of Activities

Three separate courts – the Supreme Court, the Court of Appeals, and the Tax Court – are part of the Courts system. The system also includes the Clerk of Courts.

The Supreme Court is the court of last resort in Indiana. As such, it is the final voice on the interpretation of the laws of this State. Cases coming before the Indiana Supreme Court are decided by a panel of five Justices. In addition to having jurisdiction over all capital cases, the Supreme Court has exclusive jurisdiction over the admission and discipline of attorneys and the supervision and discipline of judges. The Court also manages the operation of the State's trial court systems. The Legislature and the Court have established various divisions, agencies, boards, commissions, and committees to assist the Court with its broad responsibilities, including: the Divisions of State Court and Supreme Court Administration, the Disciplinary Commission, the Judicial Center, the Board of Law Examiners, the Continuing Legal Education Commission, the Judicial Qualifications Commission, the Judges and Lawyers Assistance Committee, and the Race and Gender Fairness Commission.



The Indiana Supreme Court

Back Row: Justice Frank Sullivan, Jr., Chief Justice of Indiana Randall T. Shepard, Justice Brent E. Dickson

Front Row: Justice Robert D. Rucker, Justice Theodore R. Boehm

The Court of Appeals is an intermediate appellate court with initial general jurisdiction over almost all appeals arising in the trial courts of Indiana, as well as appeals from the Worker's Compensation Board, the Department of Workforce Development, the Utility Regulatory Commission, and the Civil Rights Commission. The Court of Appeals is composed of fifteen Judges with cases decided by rotating panels of three Judges.

The Tax Court has jurisdiction over appeals from final determinations of the State Department of Revenue and the State Board of Tax Commissioners.

The Clerk of the Court is responsible for receiving all filings for the Supreme Court, Court of Appeals, and Tax Court, and transmitting those filings to the appropriate court administration. The Clerk maintains the dockets for all filed cases, transmits all orders and opinions handed down by the three courts, and is responsible for maintaining, safekeeping, and archiving closed case files. The Clerk of the Court also maintains the roll of attorneys in Indiana, collects attorney registration fees, and swears-in new attorneys. The Clerk's office is a primary point of contact between the bar and the appellate courts.

External Factors

The Court system is externally affected by the number of civil law suits filed, the number of criminal prosecutions commenced in Indiana, and the number of appeals taken by litigants in Indiana. All these activities have steadily increased over time.

Evaluation and Accomplishments

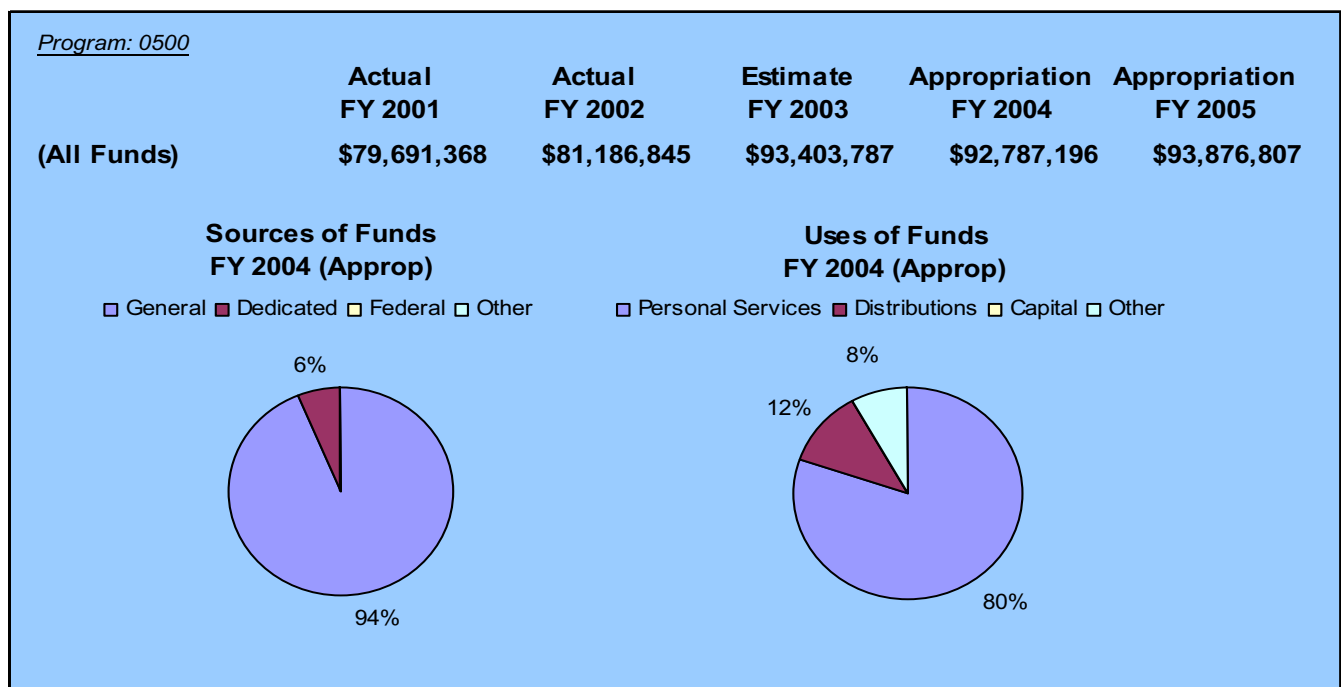
The Indiana Court of Appeals disposes of roughly 2,100 appeals per year. The Supreme Court disposes of around 1,000 cases per year. The Tax Court handles about 130 cases each year. The cases are generally decided promptly. For example, the average age of cases pending before the Court of Appeals is only about one and a half months.



**The Indiana
Court of Appeals**

Plans for the Biennium

The Court of Appeals plans to keep the time it takes to decide appeals at its current low level, despite increasing caseloads. One of the most important ongoing initiatives of the Court system to keep pace with the expanding demand for court services is the integration of the use of technology in the trial courts throughout the State. The Judicial Technology and Automation Committee has been formed to address that issue. Implementation of a comprehensive plan is underway to improve trial court computerized case management systems and the sharing of electronic data with and among (1) trial and appellate courts and courts' clerks, (2) county-base and statewide agencies and organizations that provide information to and receive information from courts and court clerks, (3) the general public, and (4) the General Assembly and other state policymakers. The Supreme Court is also very concerned with ensuring gender and racial equity, and the Race and Gender Fairness Commission will be assisting the Court system in that regard.



Judicial Programs and Services

Mission

To provide support to the courts and court personnel to make their efforts more effective.

Summary of Activities

The **Supreme Court** of Indiana, through its judicial programs and services, seeks to enhance the public's access to justice by implementing programs aimed to increase the efficiency of the state's court system.

The Office of Guardian Ad Litem/Court Appointed Special Advocates administers partial State funding to eighty counties to provide services to victims of child abuse and neglect. In eleven counties, the Court has instituted Family Courts pilot projects, the goal of which is to integrate all legal proceedings involving the family before a single judge. The Race and Gender Fairness Commission has been working to develop ways to make sure that justice is dispensed fairly in Indiana.

The Conference for Legal Education Opportunity, which the Court administers, provides minority and disadvantaged law students with assistance in their transition to and completion of law school. Each year the program admits 30 students.

The Court is seeking to improve the public's access to information about the courts. The Judicial Technology and Automation Committee has been formed to address that issue. Implementation of a comprehensive plan is underway to improve trial court computerized case management systems and the sharing of electronic data. Finally, the Court ensures that the state's judicial officials are working where they are needed most by using "weighted caseload measures" to apportion the shortage of judicial officials among existing judicial officers.

The Indiana Judicial Conference, through the **Indiana Judicial Center**, provides a variety of services for judicial officers, court personnel, and the public. The Conference provides continuing legal education for the State's judges, trains probation officers, administers the court alcohol and drug program, administers the Interstate Compact for the transfer of probationers to and from Indiana, and maintains a roster of juvenile residential placement facilities. The Conference assists the Supreme Court in the formulation of policies on judicial administration, juvenile justice, drafts books to assist trial judges, prepares legal guidelines, and in cooperation with the Indiana Judges Association, publishes the pattern jury instructions in use in Indiana.

The **Prosecuting Attorneys Council** further assists state judicial officials by providing legal research, training, information technology assistance, and legislative liaison functions to county prosecuting attorneys and their deputies.

External Factors

Court judicial services and programs are externally affected by the number of civil law suits filed and by the number of criminal prosecutions commenced in Indiana. In 2001, the trial courts in Indiana disposed of 1,779,280 cases, the highest number in Indiana history. Each new case filed may, for example, directly or indirectly increase the amount of pauper funding needed, the level of resources needed for regulation of the legal profession, or the number of citizens seeking access to or information about the courts. All activities associated with meeting these demands have steadily increased over time.

Evaluation and Accomplishments

Growing caseloads have resulted in increased demand for services provided by the Court. Despite the increased demand, access to justice is also at an all-time high thanks to Court initiatives. Besides program increases in the areas of race and gender fairness awareness and access to information through the internet, the Court has been active in encouraging the growth of local pro bono organizing committees to help provide poor people with civil legal problems with free or low cost legal representation.



Similarly, through the Public Defender Commission, the Court continues to administer a program of reimbursements to counties for pauper defense services in capital and non-capital cases.

In addition, the Court has been active in revising the jury rules and is in the process of evaluating major changes to the rules governing the ethical obligations of lawyers.

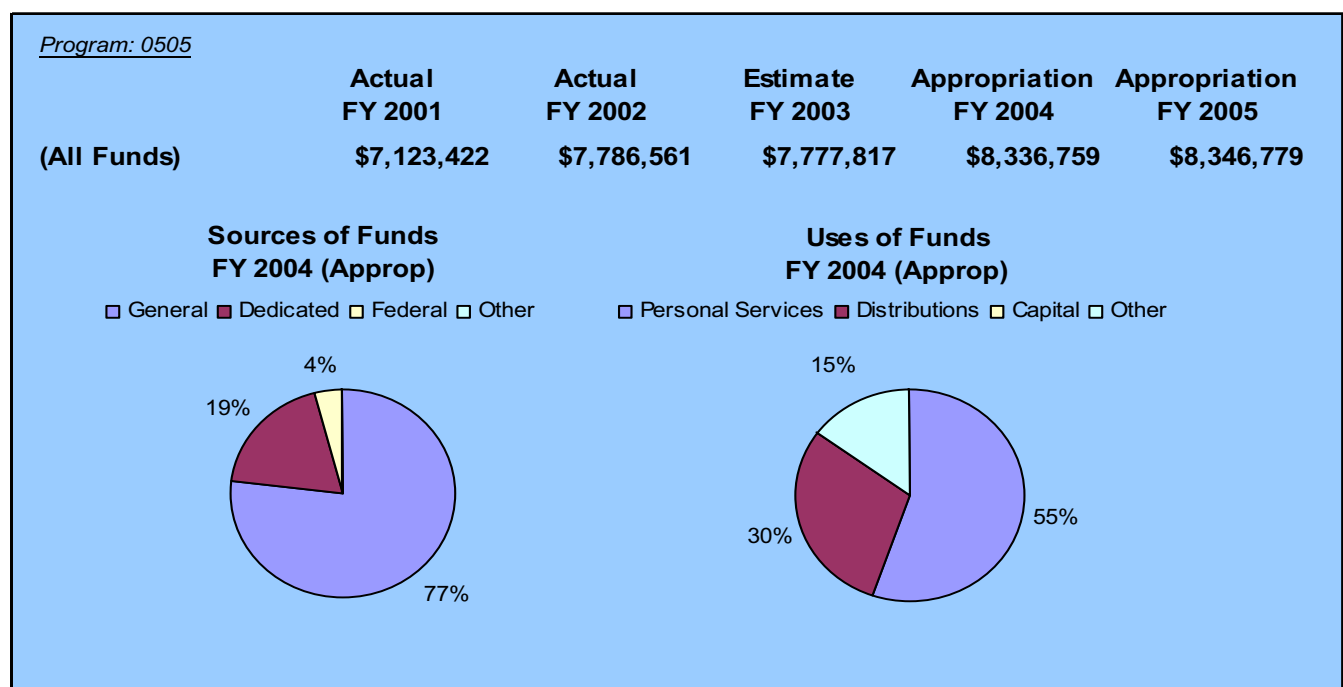


The Lake County Courthouse

Plans for the Biennium

A more mobile population has multiplied the numbers of probationers and parolees transferred to and from Indiana. To address the concerns that come with the tracking of these persons, the 113th Indiana General Assembly passed legislation to join the new national Interstate Compact. The Judicial Center will administer the Compact in Indiana.

The judicial offices hope to continue and expand the programs identified above. The Court seeks to decide cases fairly and promptly, to integrate the use of technology in the State's trial courts with a standardized case management system, to ensure access to justice for all regardless of income or language barriers, to oversee a well-run trial court system, and to maintain high standards for the practice of law in Indiana.



Public Defense

Mission

Public Defender of Indiana: To assure fundamental fairness in criminal and juvenile cases resulting in incarceration by providing factual and legal investigation in all capital cases and in juvenile and non-capital cases at the indigent inmate's request, and representation at hearing and on appeal when the post conviction action has arguable merit, at state expense. To provide competent counsel for trial and direct appeal at county expense, when local counsel cannot represent the indigent defendant. The **Indiana Public Defender Council** provides training and research support to public defenders across the state. The **Public Defender Commission** promulgates and assures compliance with standards for 1) all capital defense, reimbursing counties for 50% of capital defense costs, and 2) all felony and juvenile cases, reimbursing participating counties 40% of felony and juvenile defense costs.

Summary of Activities

Legal services for indigent defendants are provided by counties at the trial and direct appeal level, at county expense. The **Public Defender of Indiana** provides counsel at the post-conviction level.

These agencies constitute an integral part of Indiana's system for guaranteeing the fairness of criminal proceedings resulting in loss of life or liberty. Indiana has a long history of recognizing and respecting the right of any individual accused of a crime to the assistance of counsel. Indiana's Constitution explicitly establishes the right to counsel for the accused at trial and guarantees the right to appeal, with the assistance of counsel, in all criminal cases. The Public Defender's clients are indigents sentenced to death whose sentences have been affirmed by the Indiana Supreme Court on direct appeal, and all others serving sentences in the **Department of Correction** who file petitions seeking relief.

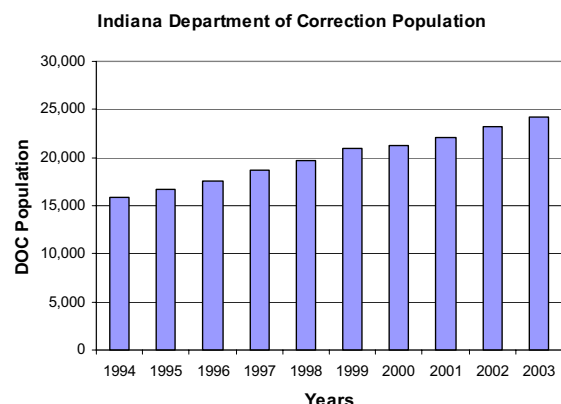


Indiana afforded publicly paid counsel to those accused of crimes and financially unable to hire an attorney long before this was required by the United States Supreme Court — *Webb v. Baird*, 6 Ind. 13 (1854). Indiana was one of the first states in this nation to provide for review in criminal cases where no direct appeal was available, in *Sanders v. State*, 85 Ind. 318 (1883), where the accused pled guilty to avoid imminent lynching by a mob. Post-conviction relief in Indiana is available to those who plead guilty or who have appealed without being able to raise all challenges to their convictions or sentences on direct appeal. The Public Defender of Indiana represents all those sentenced to death who cannot hire counsel and investigates the cases of other indigent inmates who seek review, advising them as to the merit of their cases and litigating those with merit. The Public Defender Commission assists counties financially by providing partial reimbursement for public defense costs from the Public Defense Fund. All counties are eligible for reimbursement of capital expenses. Counties must establish programs with standards for delivery of defense services to receive 40% reimbursement of defense costs in felony and juvenile cases.

External Factors

The primary factors affecting the Public Defender Council and the Public Defender Commission are overall crime rates and charging decisions made by prosecutors, particularly when prosecutors seek the death penalty. The Commission and Defense Fund are also affected by the number of counties qualifying for 40% reimbursement of non-capital defense costs. A factor that affects the Public Defender of Indiana is the steadily increasing population of the **Indiana Department of Correction**.

The population of the Indiana Department of Correction has increased from under 8,000 in 1981 to 21,854 in May, 2003. The Public Defender is also affected by federal law regarding habeas corpus actions.



Evaluation and Accomplishments

While the Public Defender's caseload has grown as a result of the number of inmates filing petitions for post-conviction relief (640 such petitions were received in FY 02-03), the office strives to provide timely case review and competent representation in meritorious cases. Since receiving the discretion to refuse to litigate cases without arguable merit, after full factual and legal investigation, in 1991, 2,600 cases have been closed as without merit. Capital cases have been expeditiously investigated and litigated pursuant to Supreme Court order and there has been less delay in non-capital case evaluation and litigation.

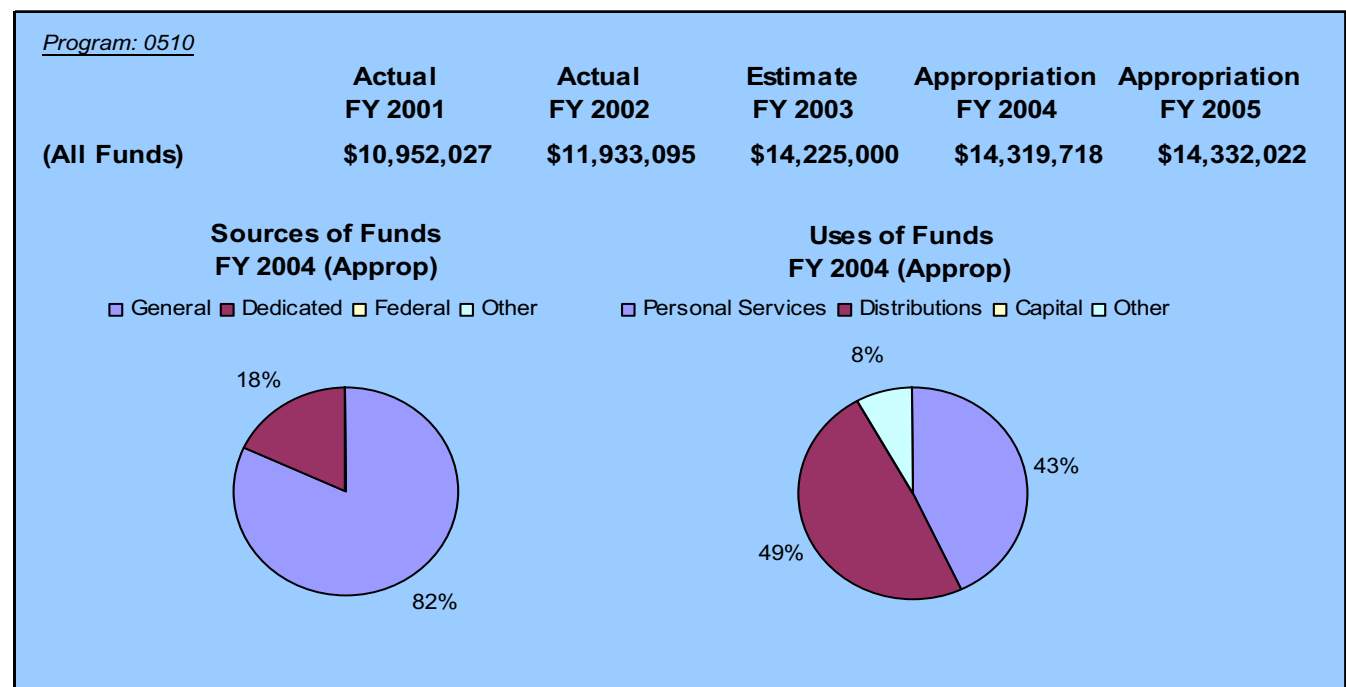


This work has resulted in significant relief for a number of clients. Fourteen capital clients have been permanently removed from death row through the efforts of the capital deputies. Most importantly, investigation and representation have directly resulted in the release of at least four totally innocent individuals: one who was sentenced to death in 1983, one who was incarcerated eight years for rape, one who served seventeen years for a murder he had not committed, and another who served four years for sex offenses committed by two others. Two of these cases involved DNA testing.

The number of counties participating in the Public Defense Fund program has increased from 13 in January 1999 to 48 in March, 2003. Reimbursements have more than doubled since 1990. By March, 2003, counties had received \$5.58 million in capital case reimbursements and \$21.73 million in non-capital case reimbursement.

Plans for the Biennium

Funding will continue for the Public Defender Commission, in order to accommodate current county reimbursement and projected increases in the number of counties participating in the Public Defense Fund assistance program. The Fund has been required to prorate non-capital reimbursements due to funding limitations.



Victim Assistance

Mission

To assist victims and witnesses, and their family members, to treat them with dignity and respect, to keep them informed of adult and juvenile offenders release, or potential releases, to ease the burden of crime victims and to encourage their participation in the criminal justice process.

Summary of Activities

Each year the Indiana Criminal Justice Institute awards millions of state and federal grant dollars to programs that provide services to crime victims. Money to fund these grant programs come from fines and fees levied against criminal defendants. Federal grant funds are awarded to agencies that provide direct services to crime victims. State victim assistance grant funds go to victim assistance programs operated in Indiana law enforcement and prosecutor offices.



Beyond the emotional suffering, one of the greatest challenges victims of violent crime face is recovering their financial health. The violent crime victim compensation program provides financial assistance to crime victims who have been physically injured and surviving spouses or dependent children of victims who die as a result of a crime. As with the victim assistance grant money, funds for the victim compensation program come largely from fees assessed against offenders at both the state and federal level.

The Department of Correction (DOC) Victim/Witness Services Program notifies victims and witnesses when their offender (1) is scheduled to be discharged, (2) is paroled either in-state or out-of-state, (3) is going on probation, (4) is scheduled for a parole or clemency hearing, (5) is transferred to a minimum security level, a DOC Work Release or Community Transition Program, or (6) escapes or dies.

Victim Assistance Programs also provide other services to crime victims, witnesses, and potential victims such as: (1) crisis counseling, (2) in-person and telephone contact, (3) providing post-sentencing reports, (4) providing support and assistance in the filing of temporary restraining and other protective order, and (5) assisting the victim in filing claims to obtaining compensation.

External Factors

Many crimes still carry a very deep seeded social stigma - especially crimes involving family violence and sexual assault. Victims of these crimes often are reluctant to come forward and take advantage of the services available. For victims of all types of crimes, services can be fragmented and in the most rural parts of our state may not be available at all. Another factor affecting these services is the nature of the primary funding sources. Because money for both the assistance and compensation funds comes primarily from assessments against offenders, the level of funding can be extremely erratic. Federal grant funds have gone from \$2 million to \$8.5 million to \$5 million in successive years. This financial instability makes it difficult to plan precise victim service programs.

Evaluation and Accomplishments

In 2002, approximately 6,764 victims and witnesses were enrolled in the Victim/Witness Services Program, and approximately 3,869 victims and witnesses received official notification. The enrollment increase was due partially to education and substance abuse credit time cuts, and juvenile sex offender victim notification.

The Criminal Justice Institute has been administering victim service programs since 1986. In that time it has seen tremendous growth in the interest and commitment to victim services. We believe that even with all the research, programs and legislation that now surrounds victim services there is still lacking a solid assessment of whether the services provided for crime victims match the needs. To assist in answering this question, the Institute hopes to establish a standardized assessment of victimization in our state, including an assessment of the services crime victims need compared to the serviced currently being provided.

Plans for the Biennium

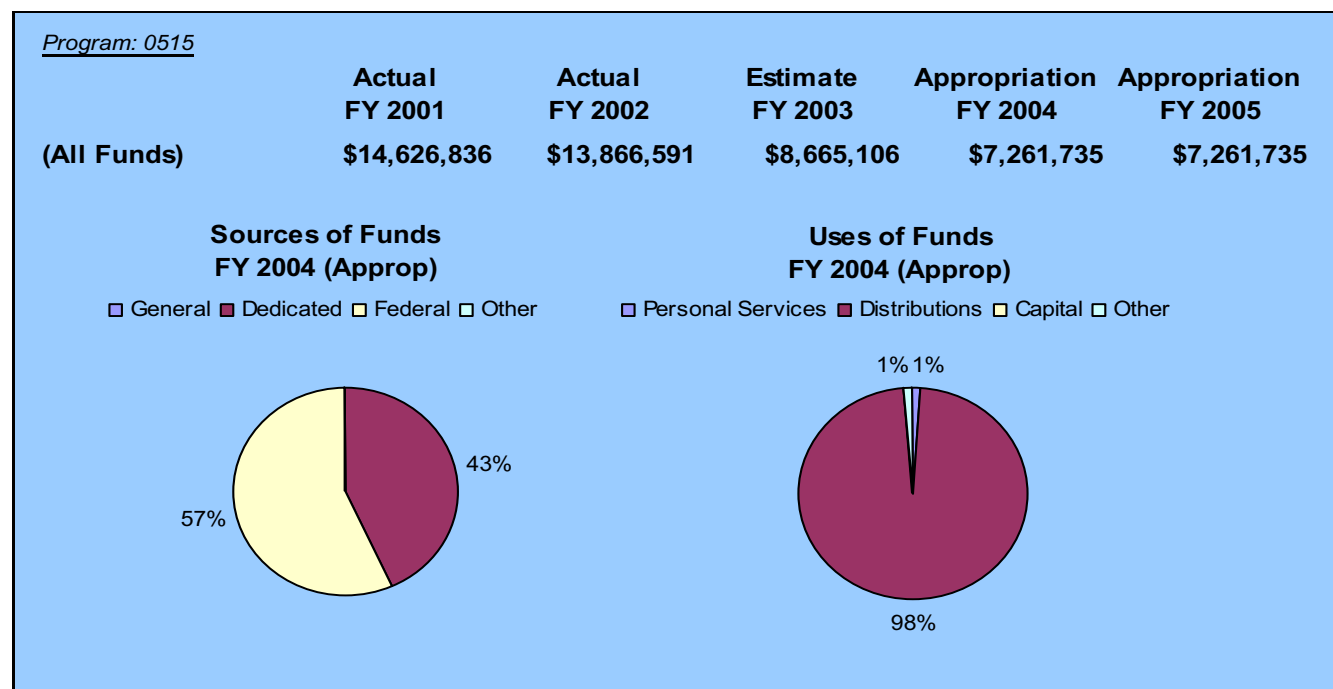
Several steps have been taken to enhance Indiana's victim compensation program, including an analysis of the victim compensation business process and the development of a database system with which to track compensation applications, facilitate eligibility decisions, make compensation payments, and maximize the efficient flow of work. The Institute charted a comprehensive public awareness and education campaign and these efforts were underscored in findings from an Institute planning survey conducted in December 2002 — 47% of citizens who are aware of Indiana's violent crime compensation program learned about it through a public service announcement, advertisements, or printed materials such as pamphlets and brochures. In addition, most citizens said they would turn to the justice system, a victim services agency, or a faith-based organization for questions and needs associated with crime victimization, including emotional, practical, and financial needs.



An evaluation of the Indiana Department of Correction's Victim/Witness Resource Services Program sponsored by the National Institute of Corrections (NIC) was conducted in March 2002. The Indiana DOC staff and NIC evaluators worked closely to develop the following four goals for this technical assistance project:

- Develop recommendations to improve the VWSP, utilizing existing resources.
- Review and assess VWSP operations and offer recommendations for improvement
- Address coordination issues among divisions within the DOC and the VWSP, as well as among the VWSP and other system- and community-based victim assistance programs.
- Identify other funding success to support the VWSP.

Based on that evaluation of the program, VWSP is finalizing plans to centralize its VWSP notification services at the Central Office in order to streamline the notification process and ensure that victims don't fall through gaps in the system and services. Also, the VWSP brochure was updated to include a description of the range of services offered by the program and how the program works, as well as referral information for other system and community-based services.



Parks and Recreation

Mission

To manage and interpret Indiana's unique natural, wildlife, and cultural resources, provide for compatible recreational opportunities, and sustain the integrity of these resources for future generations.

Summary of Activities

The **Department of Natural Resources (DNR)** manages Indiana's system of 32 state parks and reservoirs. The 23 state parks comprise 62,322 acres across Indiana. The nine reservoirs include eight properties built by the Army Corp of Engineers for flood control, covering 114,721 acres. The DNR is responsible for protecting Indiana's natural resources, providing recreational opportunities, maintaining the state's natural capital assets and infrastructure, and educating visitors and the general public about the environment and the importance of environmental protection. The experiences offered at Indiana state parks and reservoirs are diverse. Seven parks have inns where visitors can stay in indoor accommodations, while others offer camping, fishing, hiking, boating, and access to a variety of natural environments. The DNR also manages a Statewide Trails program and a Natural and Scenic Rivers program to promote outdoor recreation.

External Factors

Indiana's success in providing high-quality state parks and recreational opportunities has increased the demand for these services. Public demand for more comfortable and modern recreational services (full hookup camp sites, cable television in DNR inns, etc.) continues to increase. The DNR is also operating under increased requirements for sewage testing, treatment and disposal, trash removal and disposal, and employee testing. Security and health concerns have also increased due to the September 11, 2001 terrorist attacks and the advent of the West Nile virus. Providing and maintaining these increased service levels are a challenge during these extraordinarily difficult fiscal times.

Evaluation and Accomplishments

During the early 1990's State Parks and Reservoirs responded to requests to streamline services without impacting visitors to our properties. By the late 1990's this was no longer possible. Many policies changed due to the economic impact of the past few years. Lifeguards were eliminated at many beaches and pools, a "carry in, carry out" trash policy was initiated, mowing and ground maintenance was reduced, swimming hours and the swimming season were reduced by 40%, one in four seasonal staff members were eliminated, and cultural arts programs and special events were reduced or eliminated. Full time staffing has been reduced by approximately 2 staff positions per property over the last 15 years. Park visitation has grown from 33,600 in 1919 to nearly 20 million visitor days per year. Visitation at reservoir properties has increased by approximately 33% since 1980, with more than 60,000 hunting opportunities taking place each year.

The DNR has improved services to customers by upgrading campgrounds, comfort stations, nature centers, and inns. Modernized restrooms and full hookup campsites including 50-amp electrical service lead to increased costs to maintain and operate facilities. Utility costs have increased 26.5% since fiscal year 2000.

The Division of State Parks and Reservoirs successfully implemented a new automated Campground Reservation system in 2003 providing a greatly improved service for our camping customers. This service permits visitors to Indiana Parks, Reservoirs and Forests to make real-time reservations for campsites, cabins, shelters or recreation buildings via a call center or the Internet. The old manual system only allowed 50% of the sites to be reserved at one time. The new automated system allows nearly 100% reservation, optimizing visitation throughout the



system. It also increases fiscal accountability and simplifies revenue handling and the check-in process at DNR campgrounds. Increased recreation fees provided the revenue necessary to pay for this new customer service.

Redbird, the first state sponsored off-road vehicle riding area, opened in June of this year. Two new nature centers also opened during the past biennium at Mounds State Park and Salamonie Reservoir.

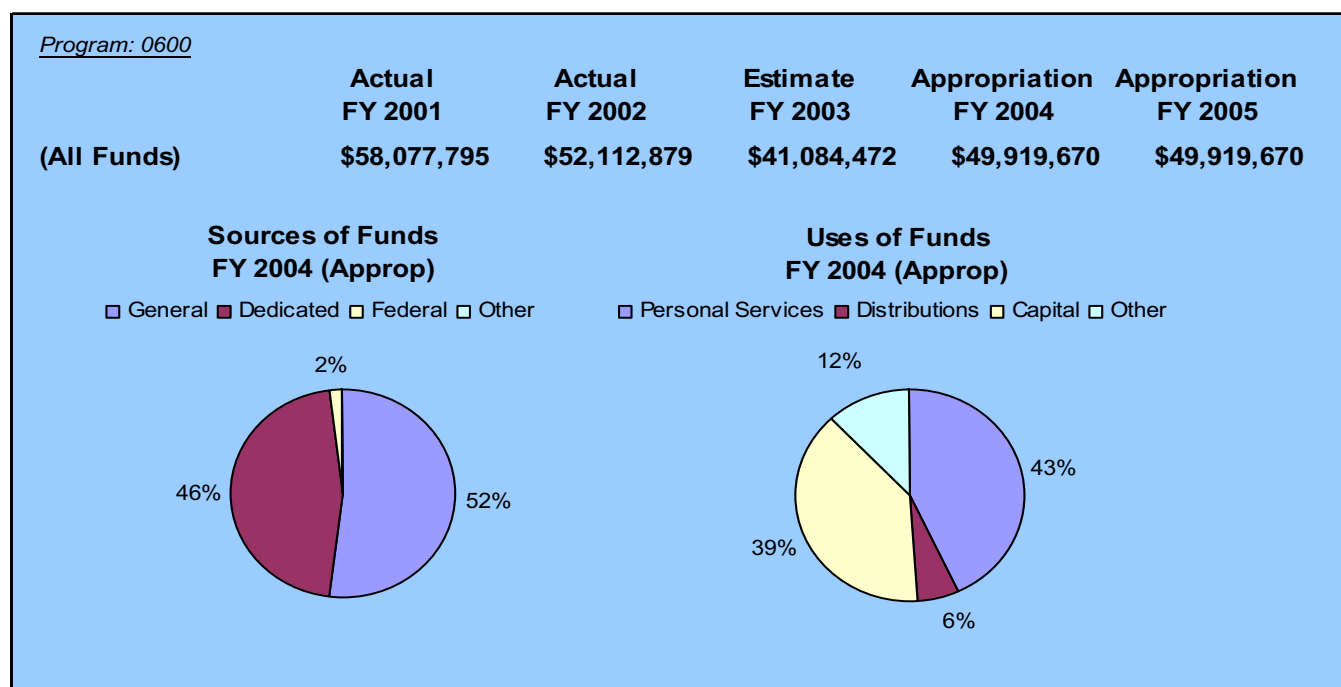
DNR also continues to improve natural resource stewardship activities by aggressively seeking out and controlling invasive exotic species from expanding on state properties such as; the gypsy moth, Japanese long horned beetle, and the emerald ash borer. In addition, the DNR continues to offer increased opportunities for children and visitors to participate in interactive programs on state properties, which teach environmental ethics while providing entertainment and fun.



Raccoon Lake
State Recreation Area

Plans for the Biennium

The DNR expects to acquire additional land at Charlestown State Park. At Prophetstown State Park, the DNR will continue to acquire new land for park completion, finish basic infrastructure design and construction, build basic public use facilities such as picnic areas, bike trail, campgrounds, and begin general operations. Efforts will continue to build and reclaim wetland areas. The DNR will improve customer service at state park inns, campgrounds, and other facilities through repaired and reconstructed facilities. The Outdoor Recreation division will respond to the increased demand for services, especially through the federal Land and Water Conservation Fund program, greenway initiatives, and expansion of both on-road and off-road bicycling opportunities. The Division of Fish and Wildlife plans to implement a new statewide automated fishing and hunting license system during the summer of 2004.



Conservation

Mission

To ensure the protection, careful management, and enhancement of Indiana's natural resources.

Summary of Activities

The **Department of Natural Resources (DNR)** is responsible for the conservation of Indiana's natural resources, including forests, water, soil, plants, fish, and wildlife. The DNR also promotes the responsible development of oil and natural gas resources and regulates the operation and reclamation of coal mines.



The DNR Division of Nature Preserves uses funds from the Indiana Heritage Trust program to acquire and dedicate as state nature preserves the best natural areas in Indiana. Ecologists care for 196 preserves, installing trails, monitoring rare species, conducting controlled burns, and controlling invasive species. The Division of Forestry operates two tree nurseries that annually sell four to six million seedlings to the public for timber, windbreaks, wildlife food and habitat, watershed and soil protection, reclamation, and education. The Division also provides leadership and support regarding fire management, forest health, and forest product conversion, and administers 13 state forest properties covering 150,000 acres.

The Division of Fish and Wildlife manages fishery resources on public waters and provides wildlife management services and assistance to state properties, national forests, and private landowners. The Entomology and Plant Pathology Division manages plant and pests to ensure the preservation and protection of cultivated land and natural resources. Every year, the division inspects and certifies some 500 plant nurseries, 50 greenhouses, and nearly 3,500 dealers of nursery stock statewide. DNR inspectors also provide compliance certifications for state and federal quarantines of species such as the gypsy moth and pine shoot beetle.

The Division of Water assists local communities with flood hazard mitigation planning activities related to the National Flood Insurance Program. It also assists in regulating construction activities along the state's waterways, protecting lives and property from flood hazards, and ensuring access to public waters. Hydraulic engineers, geotechnical personnel, and surveyors are responsible for the inspection of over 1,200 dams, maintaining the state's floodplain mapping and waterway programs, and assisting the **State Emergency Management Agency (SEMA)** in the event of dam or levee emergencies. Division of Soil Conservation implements programs for lake and river enhancement, storm water and sediment control, and agricultural conservation.

The Division of Oil and Gas works with oil and gas operators to ensure that construction plans protect the environment. The Division of Reclamation protects citizens, property, and resources from the adverse effects of coal mining. Prior to 1977, more than 100,000 acres of land in Indiana were mined and then abandoned, leaving behind exposed toxic materials. The Abandoned Mine Land program works to restore land disturbed by coal mines.

External Factors

Indiana has a relatively small amount of publicly-owned land, creating pressure to accommodate increasing consumer demand for nature-based activities. Continued economic development creates the need for targeted, effective conservation programs that ensure the protection of natural resources. Land use changes resulting from the fragmentation or liquidation of forest resources present a challenge to sustainable forest management. Public demand for a wide diversity of native fish and wildlife species may result in new federal legislation providing funds for wildlife diversity, conservation, and education. These funds could then be utilized for conservation activities.

Evaluation and Accomplishments

During the last four years, the state has protected more than 20,000 acres of land for parks, wetlands, trails, and nature preserves. The DNR brought back 194 river otters, an indigenous Indiana creature that had become extinct in this state. It protected peregrine falcons, ospreys, and bald eagles from a similar fate, nurturing nearly 200 of these birds from birth to adulthood. Over 500,000 fish were introduced to the White River after the contamination event of December 1999 and DNR continues to monitor associated restoration efforts. The state also launched the Indiana Forest Legacy program to conserve important forests in rapidly developing areas.

Since 1990, the DNR has regulated over half the counties in Indiana for pine shoot beetles, seven counties for gypsy moths, and several production nurseries and greenhouses for Japanese beetle or other regulated pests. Soil Conservation field employees assisted thousands of individuals with conservation planning for over 50,000 acres of land and provided engineering assistance on many occasions. DNR's assistance has prevented several tons of soil from eroding and polluting rivers, lakes, and streams. Meanwhile, the number of state dedicated nature preserves has increased by 18% over the last few years.

Plans for the Biennium

The Forest Legacy Program will be expanded to increase the amount of acreage that can be protected. The DNR will continue to use funds from the Indiana Heritage Trust Program to acquire and dedicate the best remaining natural areas in Indiana, insuring that the full array of Indiana's wild, living heritage is protected. This includes new nature preserves in counties where there are currently none. The Division of Forestry will work to increase the use of sustainable forest management occurring on private forestlands, while the Division of Fish and Wildlife will develop and initiate a management plan to protect and enhance wildlife diversity. Containment of gypsy moth outbreaks will be a priority, as will helping land users adopt new technologies and methods of managing soil and water resources.

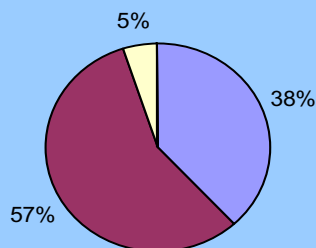


Program: 0605

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$81,297,316	\$77,473,992	\$76,314,810	\$69,658,545	\$70,279,463

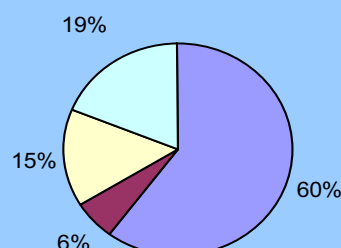
**Sources of Funds
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other



Water Quality

Mission

To ensure that Hoosiers have a safe supply of drinking water and that Indiana waterways are safe areas for recreation.

Summary of Activities



The **Indiana Department of Environmental Management (IDEM)** Office of Water Management is comprised of five branches which work to achieve the water quality goals of “drinkable, swimmable, fishable” waters for Indiana’s 36,000 river and stream miles, 575 lakes and reservoirs, and Lake Michigan. The five areas of the water program are Assessment, Watershed, Permits, Compliance, and Drinking Water.

The Assessment Branch monitors the quality of surface water to determine if the waters support all uses for drinking, swimming, and fishing. This monitoring occurs throughout the year at 164 fixed station locations on major waterways and a major basin monitoring effort, through intensive field sampling of water quality for physical, chemical, and biological indicators. Those waters that are determined to not meet quality standards are then reviewed by the Planning and Restoration Branch to develop restoration plans to achieve Indiana’s water quality goals through implementation projects within the affected watershed.

In support of the federal Clean Water Act, the Permits and Compliance Branches focus on limiting the discharge of pollutants into Indiana waterways. Permits that limit the amount of water pollution to a level that will not reduce water quality below the drinking, swimming, and fishing standard are issued to dischargers. There are 1,671 organizations with discharge permits across the state whose performance must be inspected and reviewed by the Compliance Branch to assure that discharge limits are not exceeded.

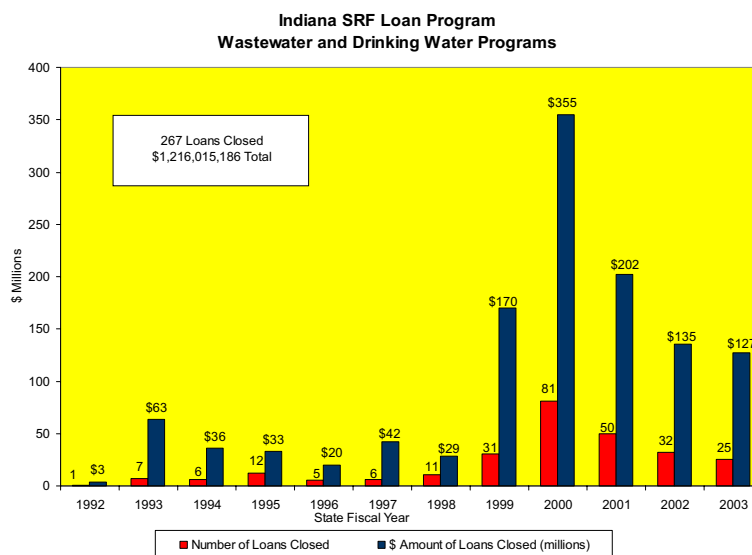
In support of the federal Safe Drinking Water Act, the Drinking Water Branch reviews the performance of 4,500 public water supplies to assure compliance with the safe drinking water requirements. Nearly two-thirds of Indiana residents drink groundwater. The Drinking Water Branch works with local, state, and federal agencies to protect Indiana’s abundant groundwater supply, assuring safe drinking water for Hoosiers both now and in the future.

The State Revolving Fund Loan Program (SRF) is administered jointly by IDEM and the **State Budget Agency**. Under the Direction of the Executive Director, **The SRF Program** provides low-interest loans to local communities for the purposes of financing infrastructure improvements that support clean drinking water and wastewater treatment. Low-interest SRF loans improve water quality and save money for utility ratepayers.

External Factors

External factors threatening Indiana’s surface waterways include combined sewer overflows, storm water runoff from agriculture and urban surfaces, and the destruction of wetlands. Combined sewer overflow problems stem from sewer construction practices utilized when urban areas were developed approximately 100 years ago.

Rainwater and sewage drains were combined into a single system — if heavy rains exceed the system’s drainage capacity, untreated sewage is forced into rivers and streams, causing bacterial contamination.



Runoff from agriculture and urban areas can also contaminate water sources with bacteria, as well as pesticides, oils and other contaminants which are washed off roads. Wetlands are essential to providing flood control, water filtering, and providing habitat for fish and other wildlife. Indiana has lost 87% of its original wetlands over the past two centuries.

Severe and unpredictable water pollution events such as the recent flooding that disabled sewage treatment plants in north-central Indiana require corresponding intensive use of IDEM response and mitigation resources.

Evaluation and Accomplishments

The number of major wastewater treatment facilities (typically those facilities with average design flows of more than one million gallons per day) with significant violations was reduced to 13 percent. The number of minor facilities with significant violations was reduced to 16 percent. IDEM completed water quality samples at its 164 fixed stations-59 more fixed stations than existed four years ago.

Over the last two years, IDEM and the State Budget Agency have made 56 low-interest State Revolving Loans worth over \$264 million to utilities across the state to make local wastewater and drinking water infrastructure improvements.



Plans for the Biennium

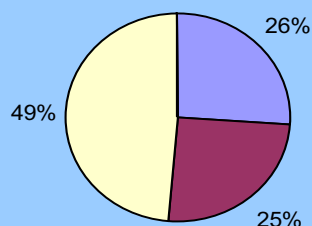
IDEM will continue to use good science and sound policy to shape and implement water quality standards throughout the next biennium. The Office of Water Quality will also continue to develop partnerships with local communities to restore state watersheds in ways that will achieve Indiana's water quality goals for drinking, swimming, and fishing.

Program: 0610

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$23,333,951	\$23,539,725	\$34,839,116	\$31,184,357	\$31,853,001

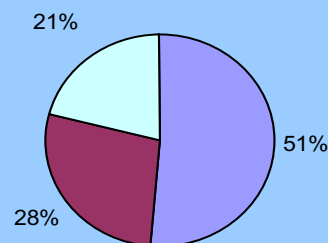
**Sources of Funds
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other



Air Quality

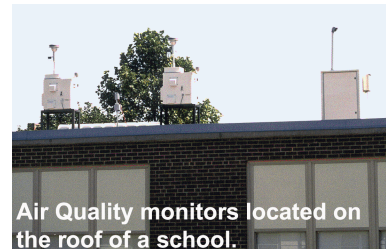
Mission

To attain and maintain clean and breathable air throughout the state and to ensure Indiana air meets or exceeds all health-based standards.

Summary of Activities

The **Indiana Department of Environmental Management (IDEM)** implements a variety of state and federal programs to ensure air quality. It improves and safeguards the quality of Indiana's air through the following activities:

- Evaluating and issuing permits for construction and operation. In recent years, there have been several hundred applications for new or modified air emitting sources filed with IDEM each year. There are approximately 750 "sources", such as steel mills, chemical plants, power plants, and automotive manufacturing facilities that are considered major emitters and require comprehensive operating permits.
- Inspecting and providing compliance assistance to regulated businesses. IDEM air inspectors annually inspect the most significant sources and provide them with targeted assistance.
- Developing state rules to reduce emissions. New rules include incorporating federal requirements as they are issued, as well as developing rules specifically needed to address Indiana's air pollution problems.
- Monitoring Indiana's air quality. Indiana maintains an extensive network of permanent monitors that measure the levels of a variety of pollutants, including ozone, carbon monoxide, sulfur dioxide, particulate matter (dust and soot), air toxics and lead. Temporary monitors can also be located to assess specific situations.



The **Indiana State Department of Health (ISDH)** certifies radon testers, laboratories, and mitigators, and responds to inquiries via an 800-number radon hotline. The ISDH samples and analyzes fuel sold by gasoline service stations to ensure that the octane rating meets or exceeds advertised quality. The ISDH also assists local health departments with identification and resolution of indoor air quality problems by conducting surveys of problem buildings, and by supplying training, equipment and sampling media for indoor air quality investigations.

External Factors

Ozone sources: Motor vehicles, manufacturing, industrial and everyday activities emit nitrogen oxides and volatile organic compounds that react in sunlight to form ozone. Pollutants that cause ozone include gasoline vapors, chemical solvents and combustible fuels. Emissions of nitrogen oxides from tall sources, such as smokestacks, are more likely than sources near ground level to travel downwind and increase ozone levels in surrounding urban and rural areas.

Vehicle miles traveled: Cars and trucks are significant sources of carbon monoxide, nitrogen oxides, particulate matter, and volatile organic compound emissions. IDEM uses studies of total vehicle miles traveled to estimate emissions of these pollutants. In 2001, Hoosiers drove 71.6 million miles annually, an average of 196,000 miles per day. From 1991 to 2001, annual vehicle miles increased by 32%; Indiana's population increased by about 9.3% during the same period. The increasing rate of vehicle miles traveled reduces the air quality benefits from cleaner vehicles and fuels, as well as increasing traffic congestion and creating a need for additional road construction and maintenance.

Sulfur Dioxide: Populations particularly sensitive to sulfur dioxide include children, older adults, asthmatics, and people with chronic lung and cardiovascular disease. Sulfur dioxide is a primary component of acid rain, and sulfur dioxide levels in Indiana's air have decreased dramatically. All areas of Indiana currently meet state and federal health standards for sulfur dioxide, as measured by air quality monitors. Many Indiana power plants have greatly reduced sulfur dioxide emissions by using low-sulfur coal, increasing use of lower polluting boilers, and investing in air pollution control equipment such as scrubbers.

Dust & Soot: "Particulates" are small pieces of aerosol mists, dust, dirt and soot emitted by sources such as cars, trucks, construction projects, factories, unpaved roads, fireplaces, and wood stoves. Older adults, children, and people with chronic lung disease are especially sensitive to particulates. Recent studies indicate that the smallest particulates pose the most serious health threat, because they can be inhaled more deeply into the lungs and are more difficult to exhale.

Airborne toxic and other organic compounds: Many chemicals in the air affect human health and the environment. Some chemicals occur naturally. Others are released by a variety of human activities such as manufacturing, driving, cleaning or painting.

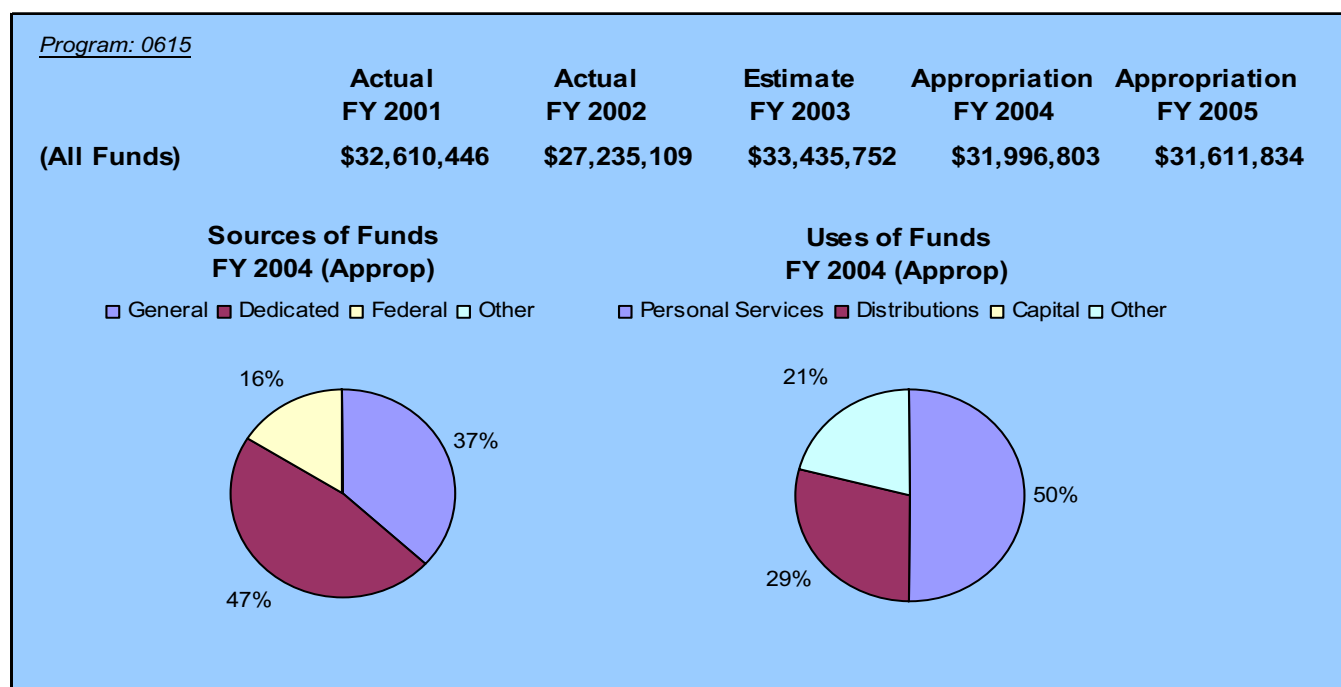
Evaluation and Accomplishments

All areas of Indiana currently meet state and federal air quality health standards for carbon monoxide, large particulates, sulfur dioxide, and lead. Ozone levels have decreased everywhere in Indiana, but still remain a health concern, especially in larger urban areas. With improved monitoring and research into the source of emissions, more is understood about the types and levels of many toxic chemicals for which there are no promulgated health standards.

IDEM has issued more than 575 operating permits for major sources of air pollution. To ensure that air pollution sources are in compliance with state and federal laws, IDEM has inspected 99% of the 800 major air pollution sources during the past biennium, most of them more than once, and provided significant oversight to sources using continuous emission monitors or periodic stack tests. IDEM inspectors have reviewed more than 1000 annual compliance certifications each year filed by emitting facilities as well as quarterly reports and other compliance related reports. It expanded the toxics monitoring network across the state. It has assisted the City of Hammond to equip its school bus fleet with catalytic converters to reduce toxic fumes.

Plans for the Biennium

IDEM will continue to issue all current permits on a timely basis. It will complete issuance of 800 Title V permits, and continue to collect and analyze air samples and emissions. The agency will complete revisions to its new source permitting program and begin to develop clean air plans for areas across the state that do not meet health standards for ozone and fine particles. It will work with communities on projects to reduce citizens' exposure to diesel emissions including one to convert diesel-powered buses to cleaner fuels. It will continue to inspect sources for compliance with current requirements and work with Indiana businesses to implement new rules to reduce emission of toxic chemicals for a variety of industries. IDEM will also increase its understanding of the risk posed by chemicals present in Indiana's ambient air.



Land Quality

Mission

To protect the public health and the environment by ensuring proper handling and disposal of wastes.

Summary of Activities

The **Indiana Department of Environmental Management (IDEM)** Office of Land Quality focuses on prevention of environmental problems. This is accomplished by thorough review and appropriate permitting of facilities that manage waste materials and through stringent compliance inspections. IDEM also focuses on industrial waste landfills and farming operations involving large numbers of animals.

IDEM issues hazardous waste permits to help ensure safe waste management practices at major industrial facilities that treat, store or dispose of hazardous waste. These permits also function to prevent releases of hazardous chemicals into the environment. IDEM also registers and inspects waste tire transporters, processing facilities, and storage sites.

In addition to permitting and inspection, IDEM oversees short-term and long-term environmental cleanup projects. The Voluntary Remediation Program (VRP) provides current and prospective contaminated property owners with a mechanism to clean up the property with IDEM oversight and assistance. There are currently 276 active VRP projects. As a partner with the U.S.

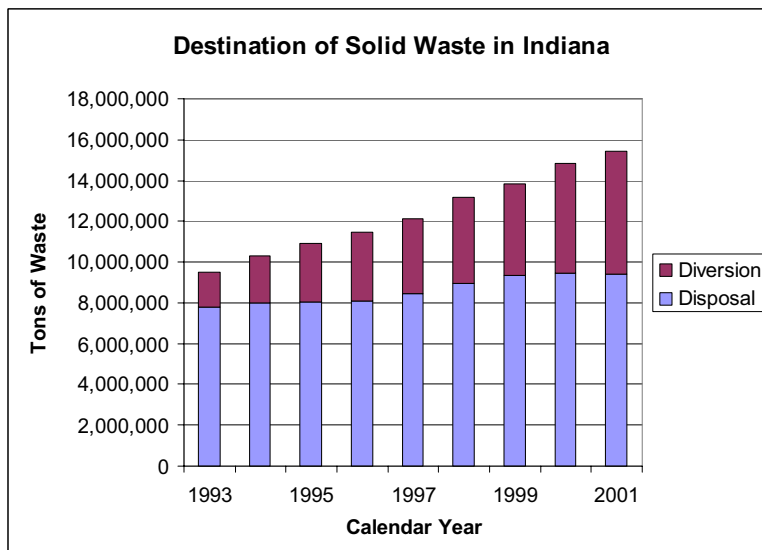
Environmental Protection Agency (EPA), IDEM conducts and oversees the cleanup of the most contaminated sites identified by the federal government on their “Superfund” list. The IDEM Site Cleanup Program funds, oversees, and manages the cleanup of sites that do not qualify for the Superfund program.

The IDEM Defense Environmental Restoration Program (DERP) assists the U.S. Department of Defense, in cooperation with the EPA, in the investigation and cleanup of active and closing military bases at which hazardous substances were used, stored or disposed. IDEM also oversees the cleanup of releases from regulated underground storage tanks. The redevelopment of “brownfields” — abandoned or underused industrial or commercial sites where development is complicated by actual or perceived environmental contamination — links economic vitality and jobs with environmental protection. During FY 2003, 42 communities applied to IDEM for assistance remediating and returning brownfields to productive economic reuse.

IDEM emergency response personnel are on call 24 hours a day, 365 days a year to respond to environmental emergencies. When necessary, state funds can be used to control and cleanup oil spills, hazardous material accidents and releases of other objectionable substances.

External Factors

Indiana covers an area of 36,300 square miles, requiring broad monitoring and enforcement of land quality. Past waste management practices have caused many significant problems that the state must continue to address, including contaminated sites, leaking underground storage tanks, spills, landfills, and open dumps that can contaminate ground water. Thousands of contaminated Indiana properties require remediation. Many are actively under investigation or cleanup, while others are yet to be discovered. Prospective purchasers of brownfields may be reluctant to purchase the property because of concerns about legal liability from potential contamination at the site.



Evaluation and Accomplishments

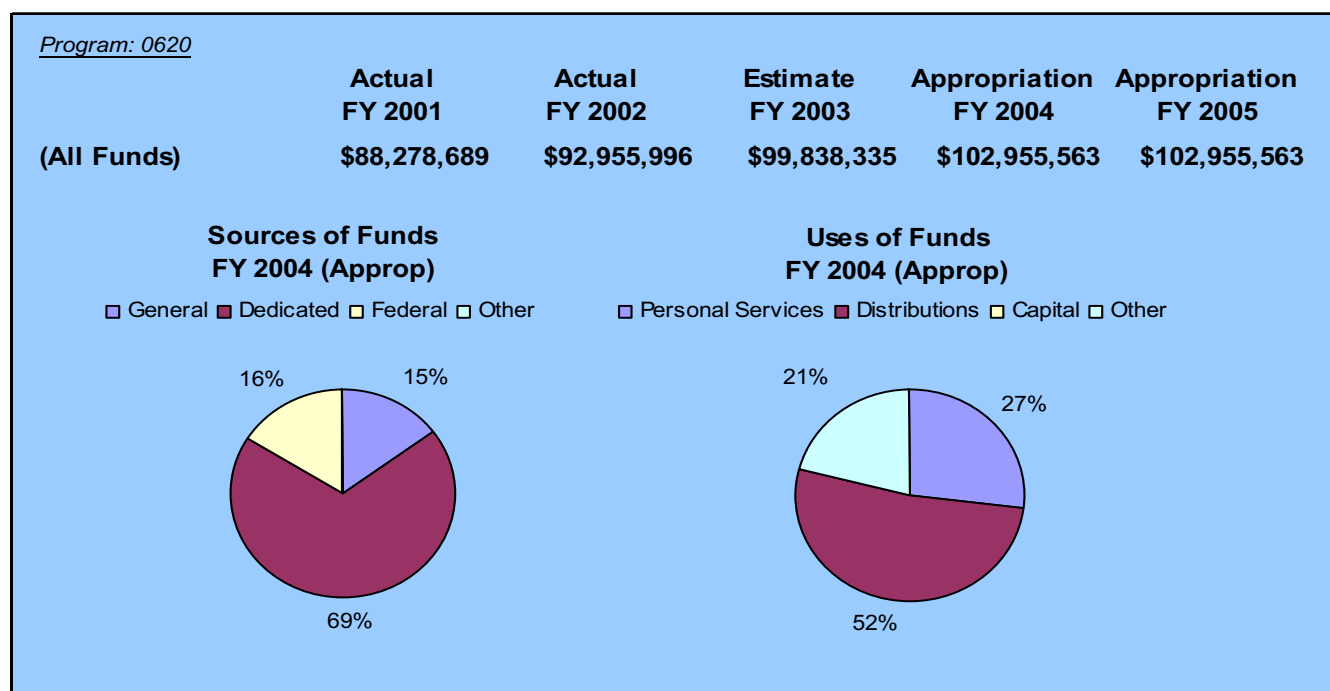
As of 2003, there are 36 Superfund sites, including Continental Steel in Kokomo and the Westinghouse/CBS site in Bloomington. Cleanup efforts are under way at 12 Superfund sites, and cleanup responses are complete and are being monitored at 24. To date, approximately 112 Indiana communities have received brownfield funding and /or other assistance for approximately 281 sites to be redeveloped and returned to productive economic reuse. Over the last seven years more than 8 million tires at 70 illegal dumpsites were cleaned up, with an estimated 1,336,836 tires being shredded. At the end of 2002, over 4,400 leaking tank sites have been remediated since 1993.



Plans for the Biennium

IDEM will continue to issue permits on a timely basis and conduct compliance inspections to ensure waste materials are being managed properly. Inspections will be targeted to give the highest priority to sites which represent the greatest threat to public health. This document will help assure consistency among multiple remediation programs in setting the level of cleanup which must be conducted to ensure protection of human health and the environment.

IDEM will also continue its partnership with the U.S. Department of Defense as that agency permits, constructs, and operates a facility to destroy VX poison nerve gas stored at the Newport Army Chemical Depot. IDEM will continue to assist communities with brownfield redevelopment so that properties may be returned to the tax rolls and productive use. IDEM will continue to assist the agricultural community as the agency implements rules regulating confined animal feeding facilities, which will help prevent the discharge of animal wastes into surface waters.



Energy Policy

Mission

To promote the economically and environmentally responsible use of energy, resources and recyclable materials.

Summary of Activities

The **Indiana Department of Commerce's** (IDOC) Energy and Recycling Office (ERO) operates energy programs in three primary areas: fossil fuels, alternative fuels and energy efficiency programs.

Fossil fuel activities include the gathering and maintenance of data on coal, natural gas, petroleum fuels and electricity. Communication with other state and federal agencies, fuel producers and electric utilities helps maintain reliable supplies of fuel and electricity for Indiana consumers. The promotion of Indiana coal is also a component of ERO's fossil fuel activities.

Alternative fuel activities include the promotion of alternative fuels (such as natural gas, ethanol, electricity and propane for motor vehicles). The Alternative Fuel Transportation program provides grants of up to \$30,000 to cover the incremental cost of alternative fuel vehicles, fuel or the building of alternative fuel vehicle refueling facilities. The ERO is active in the Clean Cities program, a federal public-private partnership program that promotes alternative fuel vehicles. The ERO also offers Alternative Power and Energy grants of up to \$30,000 for non-transportation alternative fuels such as wind, solar, geothermal and waste-to-energy projects. The Biomass Grant Program funds research for finding new ways to derive energy from biologically based materials.

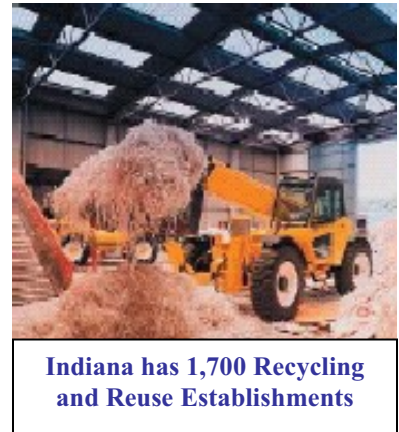
Energy efficiency activities are aimed at saving money for Indiana consumers and businesses through the reduction of energy consumption. Energy efficiency also creates environmental benefits by preventing emissions. IDOC activities include grant and loan funds for industrial energy efficiency, building renovations and the implementation of energy efficiency measures in public institutions. Grants of up to \$30,000 are available for distributed generation projects. Industrial energy efficiency projects may receive up to \$250,000 in zero-interest loans and public institutions are eligible for loans of up to \$100,000. The ERO also offers a limited number of Renewable Energy Education and Demonstration Grants for projects that are highly visible and demonstrate novel applications of energy technologies.

In all of these areas, the ERO acts as a clearinghouse for a wide variety of energy issues, providing expertise to the public, Indiana businesses and other agencies of state government.

External Factors

The ERO's programs are highly dependent on federal funding through the State Energy Program administered by the U.S. Department of Energy. The state receives approximately \$1,000,000 in federal funds each year, and State Energy Program funds are subject to fluctuations in annual federal appropriations.

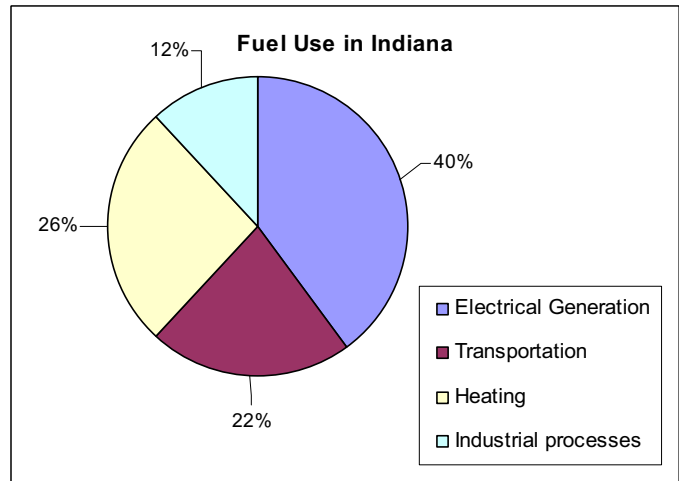
The success of ERO programs is often dependent on volatile energy markets. When market prices for energy or for specific fuels are high, the ability of the division to identify solid, cost-effective projects improves. High fossil fuel prices also tend to increase interest in alternative fuels among both businesses and the public. However, high prices also tend to be accompanied by restricted supplies of energy products, making it more difficult to ensure availability. Therefore, the type and intensity of ERO activities tend to change with fluctuations in the global energy



Evaluation and Accomplishments

From 1999 to 2002 the ERO provided funding to 66 projects. Projects funded included loans and grants for the purchase of energy-efficient or alternative fuel equipment, grants for research and development and grants for the promotion of alternative and renewable fuels. Funds provided for the purchase and installation of equipment totaled \$3,340,342. The estimated energy savings to the Indiana businesses and institutions that received these funds were \$2,551,186 per year.

An example ERO project is Lakeland High School in LaGrange, which was awarded a \$100,000 Public Facility Energy Efficiency Program loan in August 2001 to carry out an energy-efficient lighting retrofit and install a direct digital control system. The total project cost was \$107,366. The upgrades at Lakeland High School will save the school corporation over \$24,000 a year; the project will pay for itself in less than five years.



Plans for the Biennium

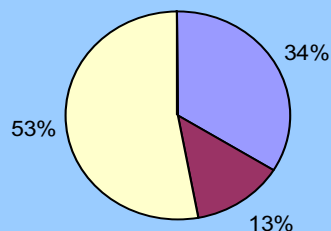
ERO plans to continue promoting energy reliability, energy efficiency and the use of alternative energy resources. As recent events have shown, there is an ongoing need for greater conservation of petroleum products, natural gas and electricity. Emphasis will be placed on industrial and institutional energy efficiency programs. By conserving energy, Indiana businesses and institutions can continue to grow while helping reduce exposure to volatile energy costs. Renewable energy efforts will be emphasized as a means of reducing dependence on traditional fuels. Efforts will also be made to aid in the development of high-technology manufacturing through the promotion of advanced energy technologies in Indiana.

Program: 0630

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$1,357,084	\$1,398,632	\$1,804,337	\$1,817,735	\$1,817,735

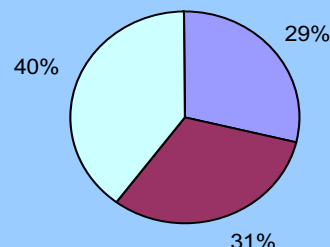
Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other



Highway Construction & Maintenance

Mission

To construct and maintain a safe, efficient, high-quality transportation network.

Summary of Activities

The **Indiana Department of Transportation (INDOT)** operates and maintains a transportation system that includes increased access to communities, continued economic growth and safer travel for motorists through and around Indiana. The highway system includes assets ranging from small culverts and pavement markers to major bridges and interstate interchanges. The Department maintains a physical inventory of all its assets. The inventory includes 11,000 miles of state roads, 5,616 bridges, 37 rest areas, weigh stations, 3200 traffic signals and thousands of small structures. INDOT also operates the Indiana Toll Road under a lease with the **Indiana Transportation Finance Authority**. INDOT funds new and innovative programs such as “rails-to-trails” and state-of-the-art electronic traffic management systems.

INDOT matches available funding sources to the needs of the highway network. It conducts regular inspections of all roads and structures and uses this information to prioritize projects. Local input, traffic volumes, safety statistics, agency priorities and transportation planning studies also play a significant factor in determining which projects receive available funding.

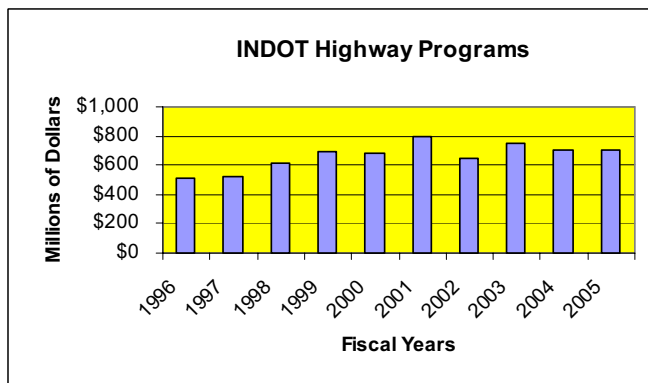


All highway maintenance is funded by the state. INDOT performs both preventive and emergency maintenance activities, including snow removal, line painting, sign maintenance, signals and highway lighting, pothole patching, mowing, rest area and weigh station maintenance, litter pick-up, and other activities to preserve and increase pavement life and increase the safety of the motoring public. INDOT maintains a network of local offices, vehicle repair garages, testing labs, salt storage buildings, dump trucks, plows, transportation vehicles, paint trucks and mowers to facilitate road maintenance.

External Factors

New construction and major rehabilitation are funded both with state and federal dollars; therefore, the level of federal funding is a significant factor affecting the amount of highway construction that can be funded in any year. A typical state/federal highway project will use 80% in federal funding and 20% in state funding. Federal funds can also be used for design and acquisition of right of ways. The Department also uses bond proceeds to fund new road construction. Other factors that can affect highway construction are regional shifts in population, legislative initiatives, and an increase in a particular mode of transportation.

The weather is the greatest external factor affecting highway maintenance. The most important activity performed is snow and ice removal. Winter weather not only affects snow and ice removal activities; it can have a tremendous impact on road deterioration in the spring. Excessive rain can also have an adverse impact on non-winter activities such as line painting. Increased truck traffic and increased truck weights place a greater burden on highways. This causes faster deterioration of the highways and increases the need for maintenance.



Evaluation and Accomplishments

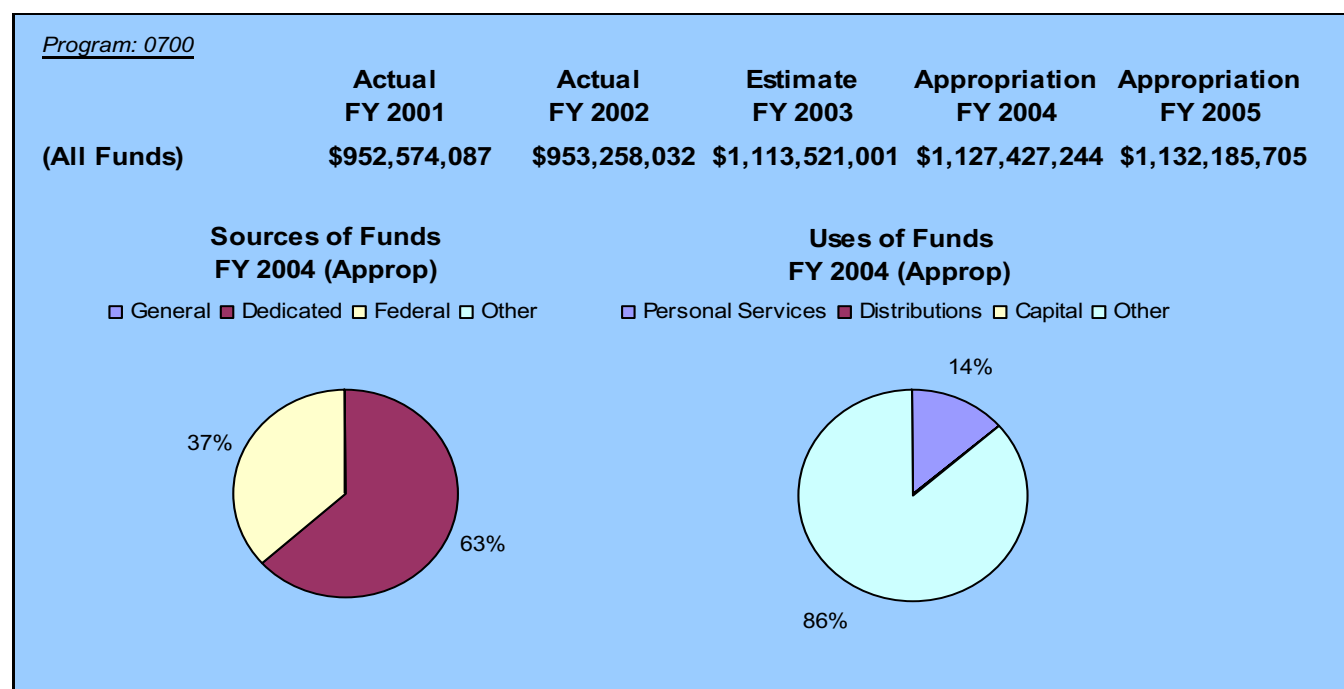
Indiana has invested a record \$4 billion dollars in its transportation network over the past six years, in addition to the investment local units of government have made to the overall statewide network. A slight downward trend of this level of funding is planned for the next biennium due to the conclusion of the current bonding program. Major construction completed or ongoing during the current biennium include:

- Hyperfix on I-65/I-70 in Marion County for approximately \$ 34 million.
- I-65/US 30 Interchange in Merrillville for \$29.5 million.
- Revive 65 in Clark County for \$250 million.
- I-465/70 Interchange in Marion County for \$68 million.
- I-70 Relocation/Six Points Road Interchange Marion/Hendricks County for \$187 million.

Plans for the Biennium

The Highway bonding program will be used to cash-fund several major projects and will be used for a match for several additional major projects. Crossroads 2000 targets several high priority projects in each of the six INDOT districts across the state. INDOT has been preparing for construction by conducting environmental studies, performing engineering activities, and acquiring the necessary rights of way. The final Highway bonds are expected to be sold in FY 05. Plans for maintenance activities include the continued review and implementation of new technology in snow and ice removal, and replacement of many local facilities. INDOT has completed removal of all underground storage tanks, and will implement a major repair contract for the Wabash Memorial Bridge in FY 2004.

INDOT will continue to implement the TrafficWise Intelligent Transportation System (ITS), which uses technology to detect highway congestion as it occurs and determines the reasons for it. The system then speeds information to the people who need it - drivers, dispatchers and emergency responders. This rapid flow of information means that roadside assistance, such as that offered by INDOT's Hoosier Helpers and emergency aid, can arrive more quickly. Tools used in implementing TrafficWise include changeable message signs, sensors, closed-circuit cameras, highway advisory radio, pagers, and the Internet.



Transportation Planning & Research

Mission

To develop highway construction and multimodal projects that create a safe, cost-effective and environmentally sound transportation system.

Summary of Activities

The **Indiana Department of Transportation** (INDOT) has planning, design, engineering, and research responsibilities for all state transportation projects.

Planning utilizes a 25-year horizon, and includes long range planning, environmental assessment, engineering assessment and needs assessment. The INDOT Research Division implements a State Planning and Research (SPR) program using a combination of federal and state funds to satisfy the requirements of the Federal Highway Administration, assuring continued receipt of Federal approvals for items such as road and street improvement projects, maintenance of records, and multimodal transportation plan. Pre-construction consulting services complete various phases of INDOT's Capital Improvement Program. Consultants are contracted for various duties, including engineering and environmental assessments.



Design and engineering of highway projects are done both in-house and contracted out to consultants. Preliminary engineering activities include: field survey, road and bridge design, signing and signal design, landscape design, utility coordination, and sub-surface utility engineering.

The research portion of the SPR program is administered in conjunction with the Joint Transportation Research Program Board (consisting of senior INDOT personnel, Indiana universities, Federal Highway Administration (FHWA), and Indiana transportation industry associations). The program funds and oversees research and implementation projects (currently over 121 ongoing projects) impacting all transportation areas, including construction/geotechnical, environment, intermodal/planning/financing, traffic/safety/intelligent transportation systems, pavement/materials, structures/hydraulics, and policy. Research and technology transfer products include specification development and testing protocols, improved materials/performance/methods, and new technology.

The Transportation Corridor Planning Board (TCPB) provides a process for the selection of alternative transportation corridors along abandoned railroad property. Appointed by the Governor, the board is charged with determining if the state has an interest in purchasing abandoned railroad property and converting it to an alternative transportation use.

External Factors

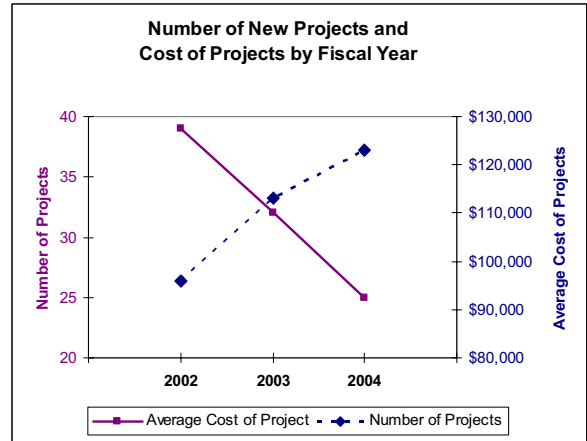
Demand on the transportation infrastructure continues to increase, due to escalating traffic volumes, increased truck traffic and the demand for the system to support heavier loads. Federal and state funding for transportation construction increased significantly as a result of federal transportation legislation (TEA-21) and state initiatives (the Crossroads 2000 program), raising construction levels to record heights. These factors, plus an increase in consulting fees due to the high demand for and shortage of civil engineers, have led to an increase in the cost of using consultants.

The Environmental Protection Agency and the **Indiana Department of Environmental Management** have recently implemented stricter environmental regulations for groundwater, surface water, air quality and wetland development, impacting congestion mitigation, construction activities and runoff from INDOT facilities. Environmental and industry groups are both challenging and promoting the reuse of waste materials in transportation. Federal mandates link receipt of federal funds to various programs including the use, evaluation and performance of new materials and products.

Evaluation and Accomplishments

INDOT has completed and will regularly update a 25-year long range transportation plan that includes specific major projects. This will allow INDOT to determine planning and budgetary needs to deliver key transportation projects.

As a result of the increased demand for information, research and technical assistance projects have increased 74% in FY 2000 and a record 140% in FY 2001. In a coordinated effort to address these needs, the research program initiated recommendations from a recent peer review, including fast-track research, information and technology investments, implementation assistance program, utilization of focus groups, etc. A three-year Long-Range Research Plan (LRRP) for FY 2004-2006 has been finalized. A detailed economic review of implemented research products indicated an average benefit-cost ratio of 175:1 with a range of 3:1 to 1239:1 for FY 2003 analysis done on most projects completed in 2001 and 2002. Forty-seven projects are in active implementation status.



Plans for the Biennium

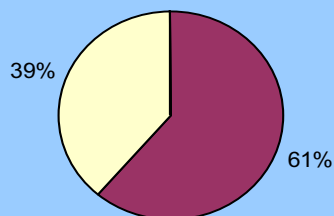
INDOT will continue to work with other public or quasi-agencies, educational institutions, private industries, and consultants to accomplish the objectives of the SPR program. Planning functions will continue to provide the most up-to-date assessment data possible to provide cost feasibility and design details in determining which projects best meet the needs for the citizenry of Indiana. The TCPB will initiate a Corridor Preservation and Development plan that will be used to guide future actions and continue to fulfill its obligations as established by statute. The Research Program will fully implement and evaluate the recommendations of the recent peer review. This will provide fast-track research capabilities, assist in knowledge management, and result in a better-trained, safer workforce, designed to address customer needs.

Program: 0705

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$132,125,914	\$129,828,805	\$142,486,568	\$154,283,591	\$154,283,591

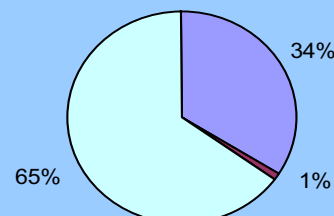
Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other



Local Roads and Streets

Mission

To provide funding to local units of government for the construction and maintenance of local roads and streets.

Summary of Activities

The majority of the roads in Indiana are under the jurisdiction of local governments. 88.16% of Indiana's roads are built and maintained under the administration of municipal and county governments. Local units of government are responsible for 66,731 miles of county roads plus 16,370 miles for cities/towns. Local units are also responsible for 12,594 bridges.

There are a number of programs that distribute funding to local units of governments for the purposes of assisting them in the building and maintenance of roads and streets. The sources of revenue for these programs are the state gasoline tax, the special fuels tax, vehicle license fees, state court fees and several smaller sources of revenue. Approximately 50% of all state revenue collected for the purposes of funding transportation is distributed to local units of government. Local governments receive funding from the Motor Vehicle Highway Fund, the Highway, Road, the Street Fund, and the Special Distribution Account. These funds are distributed by the **Auditor of State**.



Each of these funds has a distribution formula that determines how much revenue each local unit of government receives. Money from the Motor Vehicle Highway Fund is allocated based on population, the number of motor vehicle registrations, and the number of miles of local road. The Highway, Road, and Street Fund is distributed based on the number of passenger car (but not truck) registrations. Depending on the size of the county, various weights are also given to the size of the population and the ratio of city and town street mileage to county road mileage. The Special Distribution Account uses both formulas weighted equally.

Local units of government also receive federal funding, primarily from the federal gas tax. Historically, local units of government have received 25% of the federal funds received by the state. The passage of the federal Transportation Equity Act for the 21st Century (TEA-21), enacted June 9, 1998, provides a six-year surface transportation plan with which to finance federally-funded highway programs. TEA-21 sets the ground rules under which Indiana's program can operate. These rules include the amount of funds available to the program for each fiscal year, a description of how those funds are to be distributed, the length of time during which the funds may be used, and a listing of eligible activities.

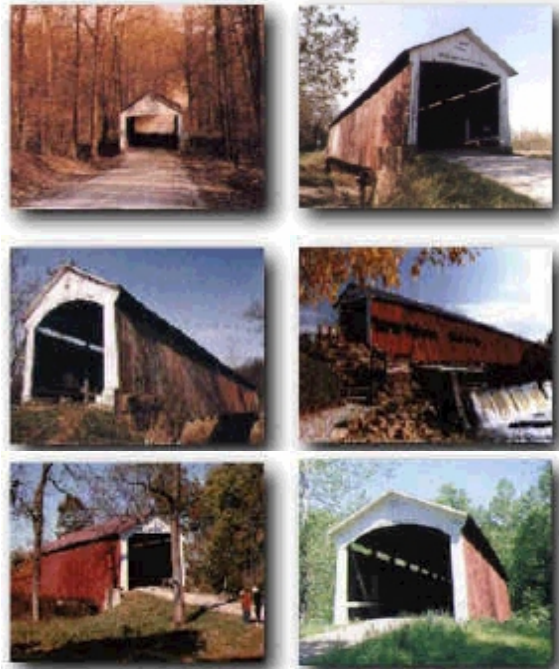
Rather than trying to maintain separate relationships with every city, town and county transportation agency nationwide, the Federal Highway Administration (FHWA) works through the **Indiana Department of Transportation** (INDOT) on all local agency projects. There is a special appropriation created to account for federal participation on local-federal projects.

External Factors

There are a number of external factors which could affect funding of the local road and street programs. The passage of the six-year TEA-21 gives some stability as to the amount of federal funds that will be received during the biennium, as well as the guidelines in spending the revenue. However, federal fiscal year 2003 brings an end to the act and passage of a new act has yet to be accomplished. This fact could lead to delays in funding to all states.

When the new act goes into effect, there may be ways in which spending levels can be increased or decreased. The guaranteed spending level is adjusted each year due to revenue projections for the coming year being different than the revenues estimated for the year stated. Another way would be that Congress could, but rarely does, pass legislation to rescind previously authorized funds. In such a case, the amounts rescinded, or eliminated, are not available to the states in future years.

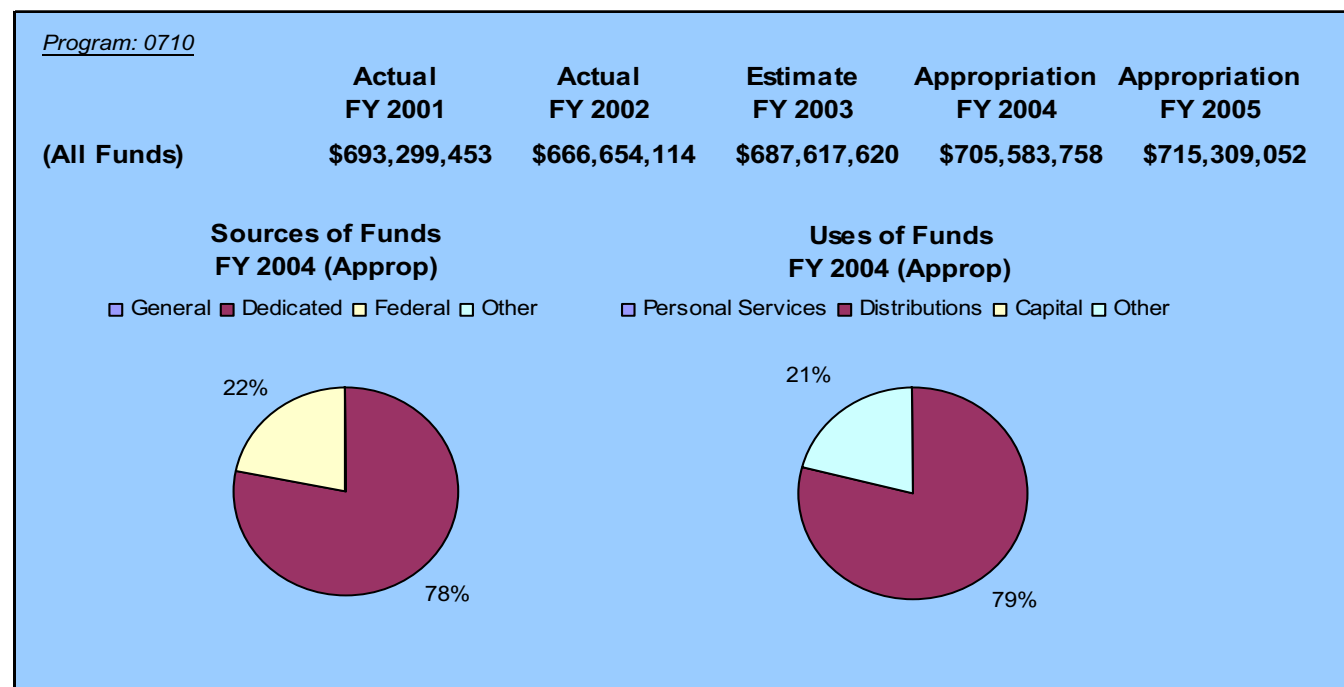
The level of both federal funding and the majority of state funds for local roads and streets is dependent on the sale of fuel. An economic downturn or a disruption in fuel availability could affect the amount of tax revenue collected and as a result reduce the amount of funds available to local units of government.



Covered Bridges of Parke County, Indiana

Evaluation and Accomplishments

According to INDOT, 70% of all local bridges in Indiana are at or above standards for construction and safety. This compares with the national average of 66%.



Commercial Transportation

Mission

To promote and provide the infrastructure and transportation resources necessary for strong economic development.

Summary of Activities

Department of Transportation, (INDOT), the High Speed Rail Fund provides funding for the purpose of promoting and developing high-speed rail travel in Indiana. The Industrial Rail Service Fund (IRSF), a state fund that receives .033% of the state sales tax revenues, supports a loan and grant program that enables Class II and III railroads to purchase and/or rehabilitate rail lines in order to provide rail transportation services. Railroad Port Authorities operated by local governments are also eligible for grant funds from the IRSF program.

The Northern Indiana Commuter Transportation District (NICTD) was created in 1977 to maintain and improve rail passenger service on the South Shore Line between South Bend and Chicago. The Electric Rail Service Fund receives property taxes paid by the Chicago South Shore and South Bend Railroad. These funds go to NICTD to help pay its share of general operations. The Public Utility Tax (Commuter Rail Service Fund), which also goes to NICTD, receives 0.14% of the state sales tax to help pay for its share of capital and general operating costs.



There are three public ports in Indiana: Southwind Maritime Centre at Mt. Vernon, Tell City River Port at Tell City and Clark Maritime Centre at Jeffersonville. All are administered by the **Port of Indiana**, which promotes the agricultural, industrial and commercial development of Indiana. The Commission is also working on the development of a statewide network of Foreign Trade Zones, as required by the U.S. Department of Commerce.

The **Department of Revenue** (DOR) Motor Carrier Services Division administers the registration, licensing and tax collection of motor carriers in Indiana, licensing 11,900 carriers and collecting \$105.2 million in revenue. The DOR maintains a database of 220,000 Indiana commercial driver's license accounts and participates in a national program to monitor driver's records. It also provides special permits for those motor carriers that transport loads that exceed regular weight limits on the state's roads and bridges.

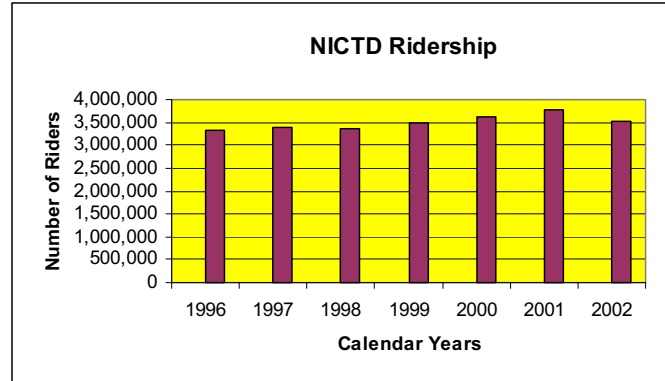
External Factors

In 1998, 20% of Indiana's shortline railroads were operating on the lowest standard of trackage allowable. After substantial financial investments since 1999, that amount has been reduced to 7%. The implications of substandard infrastructure are that valuable freight corridors are vulnerable to derailments and subsequent costly delays. In addition, these same corridors face the coming challenge of accommodating new, large 286,000-pound rail cars.

Increasing use of Indiana's highway transportation infrastructure can bring increased air pollution, traffic congestion and highway maintenance costs. Alternate modes of transportation and the improvement of rail infrastructure can help reduce these problems and save on infrastructure repair. The maritime industry in Indiana continues to evolve in the face of economic change and industry consolidation. The market's need for port services, the role of private investors, and the labor market are all factors considered by the Port Commission.

Evaluation and Accomplishments

Between FY 2000 and FY 2003, INDOT has provided over \$10 million dollars in grants for short line railroad infrastructure improvements. This investment will bring nearly 90% of short line trackage up to minimum operating standards. With regard to future passenger rail services, four routes through Indiana have been declared federally designated high-speed rail corridors. This designation makes these passenger rail routes eligible for federal funding. These routes include Chicago-Indianapolis-Cincinnati, Indianapolis-Louisville, Chicago-Ft. Wayne-Cleveland, and Chicago-Detroit.



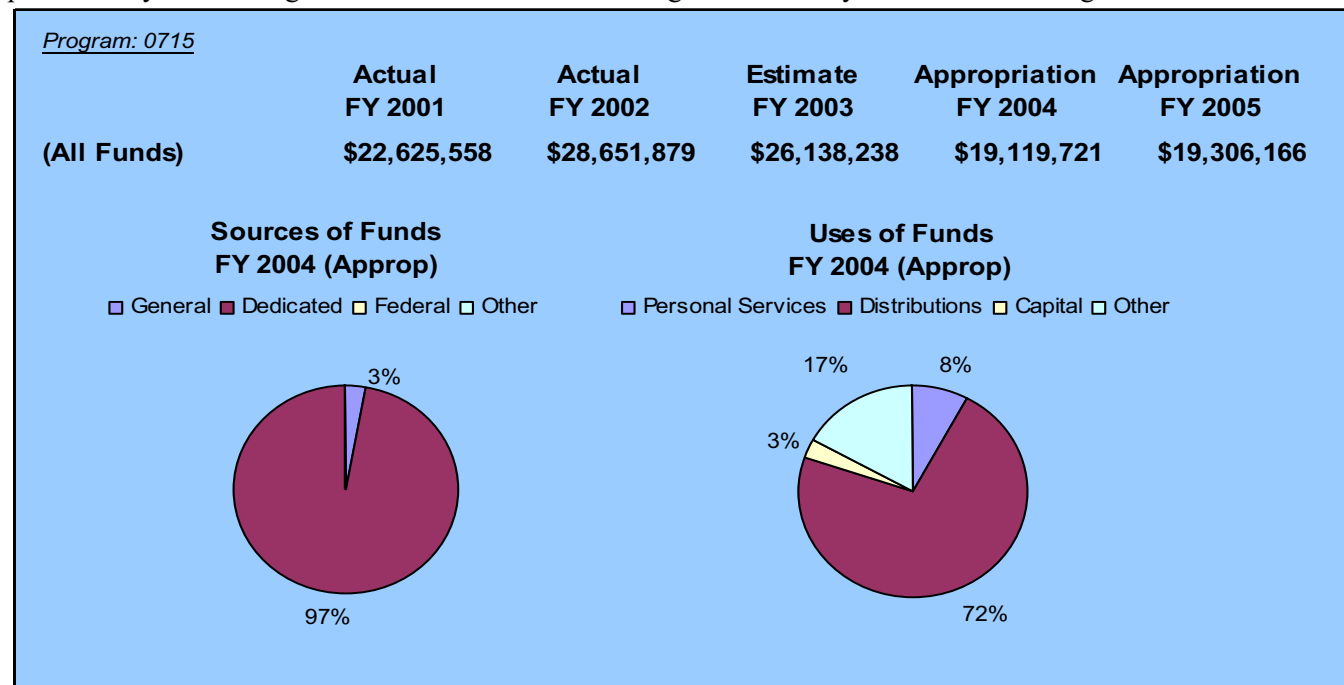
A study by the **Indiana University** Center for Urban Policy and the Environment found that the economic impact of Indiana's Ports is substantial, resulting in an annual average of \$587 million in economic activity and 5,771 jobs at an average salary of \$25,634. In 1995 the ports contributed more than \$12 million in state and local taxes to the state (\$9 million in state taxes and more than \$3 million in local property taxes).

An additional \$1 million will be generated in local property taxes as tax abatements expire. Federal, state and local governments collectively have invested \$127 million in creating the public port system. Through 1995, the private sector invested \$8.82 in private funds in the ports for every \$1.00 in public funding.

Plans for the Biennium

INDOT will continue rail development efforts, facilitating the development of a viable alternative transportation mode for the citizens of the state of Indiana, while addressing traffic congestion, air pollution and highway maintenance costs. INDOT will also continue to assist rail companies in the development of their railroad operations, leading to increased economic development.

The DOR will continue to improve their databases, resulting in a reduction in motor carriers' paperwork and faster issuance of credentials. The DOR will also continue support of law enforcement through cooperative efforts that ensure a fair economic environment in which trucking companies can operate. Safer highways will be promoted by committing to national information exchanges that identify and monitor the high-risk motor carriers.



Public Transportation

Mission

To improve personal mobility and the quality of life of individuals through the preservation and enhancement of passenger transportation systems.

Summary of Activities

The state's role in public transportation, administered by the **Indiana Department of Transportation (INDOT)**, is comprised of four main grant programs: the Public Mass Transportation Fund, the Rural Transportation Program, the Specialized Transportation Program, and the Transportation Planning Program.

The Public Mass Transportation Fund (PMTF) receives .635 % of the state sales tax revenue. These funds are allocated to local public transportation systems, using a performance-based formula. The funds may be used to match federal and/or local funding for capital projects (buses, shelters, radios, etc.) and operating expenses (salaries, fuel, maintenance, etc.).

The Rural Transportation Program is available to all areas with a population of under 50,000 for public transportation needs. These funds are allocated to both new and existing public transit systems. Other funding is available specifically for Intercity Bus Transportation projects. The funds are used for capital projects and operating expenses.



The Specialized Transportation Program provides assistance to private non-profit corporations and eligible public bodies that deliver special transportation service to persons who are elderly and/or disabled. Funding provides capital assistance (vehicles and related equipment) on a discretionary basis for urban and rural areas.

The Transportation Planning Program provides financial assistance to Metropolitan Planning Organizations (MPOs) for the planning, engineering, design and evaluation of transportation projects and other related technical studies. The funds are distributed to MPOs by a formula allocation based on the population of the urbanized area.

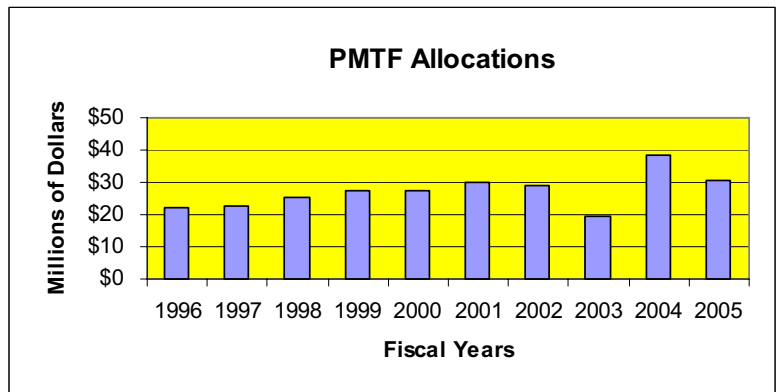
External Factors

The demand for public transportation is influenced by the accessibility and convenience of traveling in personal vehicles. The cost of vehicles and fuel, as well as travel times and traffic congestion, affect the extent to which people choose to utilize public transportation. Other factors include the availability of parking and the proximity of residential housing to retail and commercial employment.

Funding allocation decisions made by the federal government have a great influence on the amount and quality of public transportation services provided in Indiana. Since 1991, federal transit funding has nearly doubled nationwide. This increase has prompted many Indiana counties, cities, and regional areas to look at public transportation to help solve local mobility challenges, and to diversify their transportation options.

Evaluation and Accomplishments

Since 1999, the INDOT Public Transit Section has added eleven new public transportation systems. The Public Transit Section provides grants to 53 public transit systems around the state. These systems provide over \$32 million passenger trips per year. The PMTF has grown from \$26.5 million to \$29.5 million over the past five years, and the federal transit grant programs have grown from \$7.8 million to over \$10 million during the same time period. A performance-based allocation formula that rewards cost-efficient transit systems was created and has been totally phased in over a six year period.

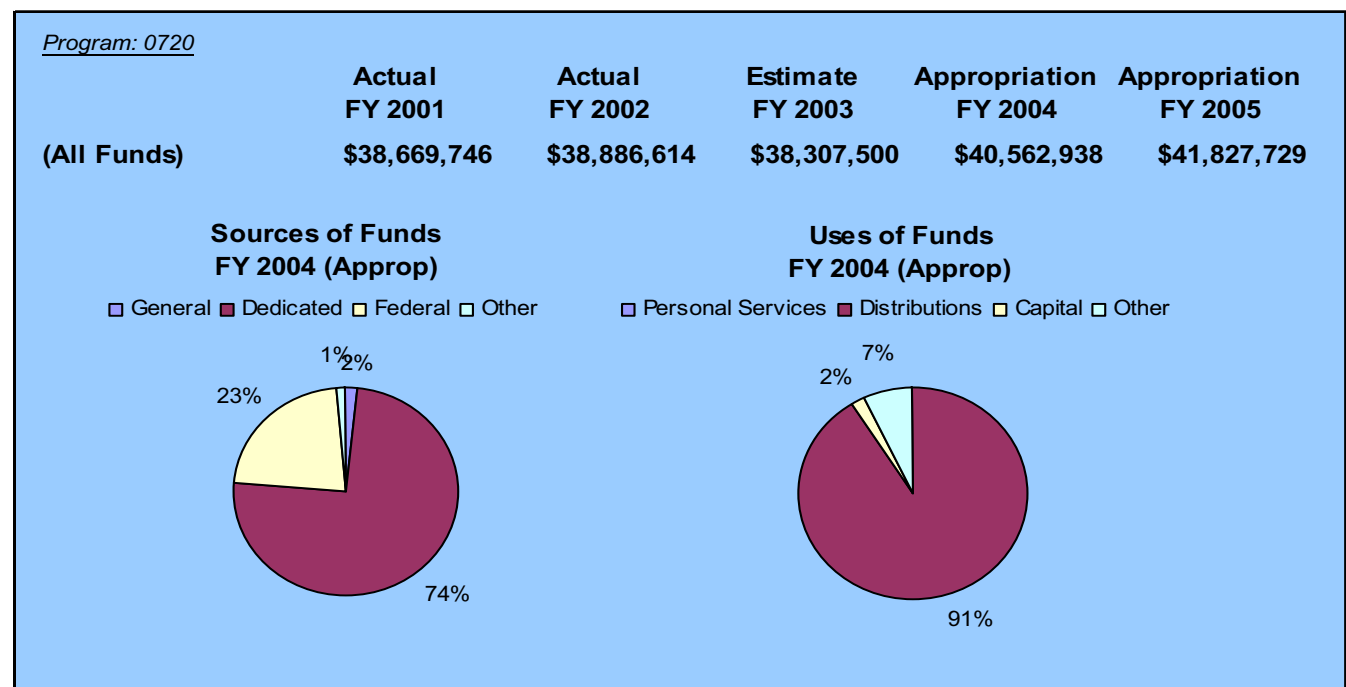


The Public Transportation Program has undergone a management review by the Federal Transit Administration (FTA) in which Indiana had no non-compliance findings. The Public Transportation Section has continued the compliance program for grant recipients, which include on-site compliance reviews, program manuals, and technical assistance to all grantees. The technical assistance that is provided to grantees includes workshops, program manuals, marketing materials, feasibility grants and other related assistance.

INDOT has also published the Public Transit Annual Report since 1977. The document includes operating characteristics of each of our 53 Public Transit Systems. The document is distributed to public official and interested parties.

Plans for the Biennium

INDOT will continue to provide our Public Transit Systems with technical assistance. INDOT will assure full compliance of our Public Transit Systems with all Federal and State regulations. INDOT will also continue to complete all Federal Grant applications and requirements.



Motor Vehicle Regulation and Safety

Mission

To provide safe transportation in Indiana through traffic safety education, motor vehicle licensing and registration, driver licensing, and the management of all records pertaining to registrations, titles, and licenses.

Summary of Activities

The **Bureau of Motor Vehicles** (BMV) operates 169 license branches, where it provides the licensing of drivers as well as the titling and registration of all motor vehicles (including watercraft). In calendar year 2002, the BMV was responsible for 6,908,598 vehicle and watercraft registrations and 2,202,076 vehicle and watercraft titles. 1,795,593 regular driver's licenses and 58,426 commercial driver's licenses were issued and amended. Approximately, 21,000 requests for driving records were answered.

In addition to performing standard transportation-related transactions, the BMV also processed 103,307 voter registrations and 111,063 organ/tissue donation applications. The number of organ/tissue donor applications in force on December 31, 2002 was 2,355,081. There are six driver's license reinstatement centers across the state, as well as a central office that is responsible for providing support to the license branches and ensuring the proper distribution of all taxes and fees collected in the process of licensing, titling and registering vehicles.



Indiana has developed an aggressive public information campaign designed to reduce impaired and dangerous driving. The **Criminal Justice Institute** Office of Traffic Safety provides grants to local units of government to implement highway safety programs. The **Indiana Department of Transportation** (INDOT) administers programs for railroad crossing improvements and school bus safety.

External Factors

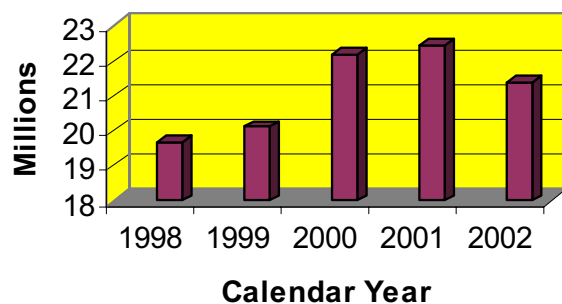
Demographic shifts in the state's population create a strain on the license branch system, as the need for services decreases in one area and increases in another. Increasing traffic volume on the state roads and highways creates new challenges for maintaining traffic safety.

Evaluation and Accomplishments

The ultimate goal of transportation safety programs is to reduce the number of accidents and injuries experienced by Hoosier travelers. The number of vehicle accidents has dropped 2.5% between 1989 and 1998, with a 24% decrease in alcohol-related fatalities. The number of railroad crossing accidents dropped from 196 in 1998 to 182 in 1999, which is an all-time low.

INDOT has used Highway Safety Grant funds to enhance the mobility of the motoring public under adverse safety conditions by reducing the potential for accidents and providing a safer environment for motorists traveling through a construction work zone.

Total License Branch Transactions



To provide more convenience and choice to its customers, the BMV has implemented several new automated vehicle registration renewal systems, including the BMV Express Self Service Terminals, Internet Rapid Renewal Service, and Touch-Tone Renewal. These are all available 24 hours a day, seven days a week. A new driver's manual was issued with more up-to-date instruction for Indiana motorists. A new Driver Evaluation Task Force was created with the goal of establishing basic and fair standards for drive test criteria. Approximately 14,000 cases of abandoned vehicles were resolved, and a new driver awareness program was completed that provides alternatives to defensive driving participants.

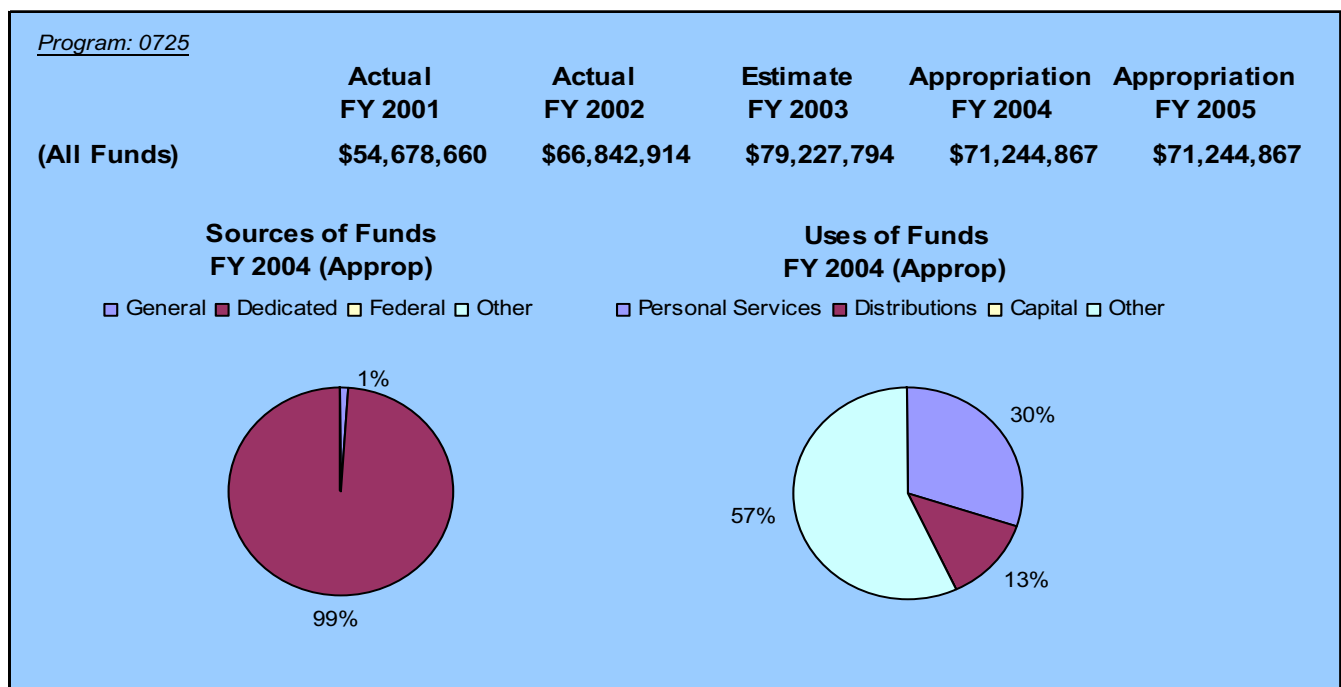


A telephone survey conducted in September of 2001 indicated that the approval rating of the BMV has increased. The survey indicated that 93.9% of the 761 respondents felt that services are above average or very good. The BMV is in the process of converting to a new computer system that will be customer driven. This system will attach all associated transactions to the customer record so that information can be easily retrieved. This will prevent the need to update separate databases when a customer makes a change in his personal information. The new programs will also eliminate many errors currently missed due to the separately maintained databases.

Plans for the Biennium

The Governor's Council on Impaired and Dangerous Driving has set the following goals for 2000 - 2005:

- Decrease the state fatality rate per 100 million motor vehicle miles traveled (MMVMT) from a baseline of 1.5 in 1996 to 1.06 in 2002, and 0.92 in 2005 with progress demonstrated on an annual basis.
- Decrease the state injury rate per 100 MMVMT from 117 in 1996 to 103 in 2002 and 95.7 in 2005.
- Decrease alcohol-related fatal crashes from 0.32 per 100 MMVMT in 1996 to 0.20 in 2002 and 0.167 in 2005.
- Increase seat belt usage from 65% in 1998 to 90% by 2005.
- Reduce fatal crashes by drivers age 16 - 19 from 0.79 per 1,000 licensed drivers in 1996 to 0.592 in 2005.



Historical Resources

Mission

To promote, preserve and make accessible Indiana's historical artifacts, papers, properties, photographs and legal records of government and to commemorate the valor, fidelity, and sacrifice of Indiana's veterans.

Summary of Activities

Historical Resources programs are managed by the Historical Bureau, the Commission on Public Records, the Department of Natural Resources, and the War Memorials Commission.

The **Historical Bureau** promotes public awareness of Indiana's history by celebrating special events, placing historical markers, and displaying the Governors' Portraits Collection. The Bureau edits and publishes Indiana history books and magazines, develops public education materials, coordinates with county historians and supports the Junior Historical Society and the private Indiana Historical Society.

The **Indiana State Library** through its Indiana Division collects and maintains current and historical materials on Indiana. The collection includes over 70,000 books including histories, biographies, directories, magazines, newsletters, atlases, state documents, and works of fiction by Indiana authors. The collection contains over 50,000 pamphlets, 11,000 maps, 3 million pieces of manuscript, 80,000 reels of microfilmed Indiana newspapers and 150 current subscriptions of Indiana newspapers.

The **Commission on Public Records** manages the birth-to-death life cycle of all government records, preserving the most valuable legal and historical records in the State Archives. The Archives include government records dating back to the territorial period of the 1790s. The Archives include over 25,000 square feet of records, including 100,000 aerial photographs.

The **Department of Natural Resources** (DNR), Division of Museums and Historic Sites includes sixteen historic properties throughout the state. The Division identifies, collects, preserves and interprets the natural and cultural history of Indiana. The historic sites collectively strive to educate the visiting public about the state through on-site interpretive tours, programs, and special events.

The **War Memorials Commission** manages the War Memorial Plaza National Historic District, the Soldiers and Sailors Monument and the USS Indianapolis National Memorial in downtown Indianapolis, operates military museums in both the World War Memorial and the Soldiers and Sailors Monument, maintains the Hoosier Veterans Database, and serves as the landlord to the American Legion.

External Factors

Indiana's success in preserving and promoting its historical resources has led to increasing demands created by an increasing number of visitors and researchers, coupled with an additional need for research material and increasing numbers of historic places, markers and buildings.



The Fall of Fort Sackville,
by Frederick C. Yohn

Evaluation and Accomplishments

Despite an increasing number of visitors and researchers, improved physical and staff services are provided each year. Public Records patrons have increased more than 100 percent since the early 1990s, while a smaller staff handles a more than 200 percent increase in the number of legal records created, preserved and made accessible.

The remodeling project for the Indiana State Library and Historical Building was completed. The input from users has been highly favorable with their liking the new open friendly rooms, the increased number of resources available for the user to browse through, the increased number of public access terminals, and the combining of the microform areas in one area.

The DNR successfully opened the new Indiana State Museum and continues to build upon that success with an ever increasing membership base.



La Porte's Carnegie Library
Marker

Plans for the Biennium

The Commission on Public Records will continue to place all indexes to records on the Internet after microfilming the original records.

The Indiana State Library will add several online electronic databases.

The DNR will continue to develop and enhance historic interpretation at the State Museum and Historic sites in an effort to increase public access to a variety of historical exhibits and artifacts.

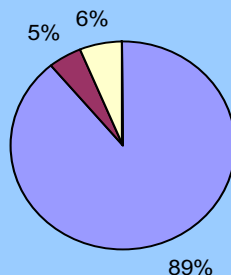
The War Memorials Commission is adding complete Civil War and WW I files to the Hoosier database and completing the rehabilitation of the State National Headquarters buildings of the American Legion.

Program: 0800

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$18,007,892	\$12,333,943	\$13,752,388	\$16,594,452	\$13,839,949

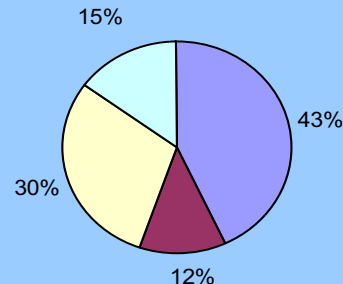
**Sources of Funds
FY 2004 (Approp)**

General Dedicated Federal Other



**Uses of Funds
FY 2004 (Approp)**

Personal Services Distributions Capital Other



Arts Resources

Mission

To enrich the lives of Indiana's citizens and visitors by encouraging, educating, and promoting participation in the arts, by collecting, preserving and interpreting the state's artistic contribution to a wider public, and by providing resources to educators to encourage the study and appreciation of the arts in Indiana.

Summary of Activities

The **Indiana Arts Commission (IAC)** promotes and supports visual, literary, media and performing arts through community development, organizational development, artist development, arts education, cultural needs assessment, and training.

The IAC's Regional Partnership Initiative leverages the resources of 12 non-profit agencies to provide technical assistance, information and referral, and regional assessment and planning to all 92 counties. Seventy percent of IAC program funds are decentralized through the Regional Arts Partners in grants to more than 360 arts providers, which represents a 56% increase since 1999.

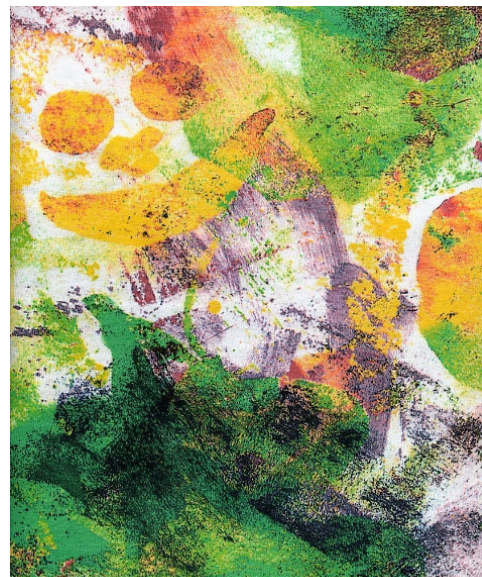
The IAC partners with the **Indiana University** Department of Folklore and Ethnomusicology, the **Indiana State Fair Commission**, the **Department of Commerce** Tourism Division, and the **Indiana State Museum**.

The **Department of Natural Resources (DNR)** Division of State Museums and Historic Sites provides a range of services to citizens. The DNR administers the Indiana State Museum (ISM), where its collection of Indiana art, including many works by the Hoosier Group (T.C. Steele, et. al.) of impressionist artists, is stored, preserved and exhibited. The collection has been assembled through the generosity of donors and through the Division's Artifact Acquisition Fund. The ISM also develops public exhibitions, special events, and programs to help visitors learn more about Indiana's cultural history. The development of the exhibition series is dependent upon loans of artwork, corporate and individual support, and IAC grants.

Recognizing the role of the arts in each student's total education, the **State Board of Education** requires the inclusion of music and visual art in a balanced curriculum in grades K-8. High school students pursuing the Academic Honors Diploma must earn two credits in fine arts courses. The **Department of Education (DOE)** assists schools and educators to meet these requirements by providing curricular guidelines, academic standards, and course descriptions for classroom instruction in the fine arts (visual arts, theater, dance, and music) for grades K-12.

External Factors

The downturn in the US economy has impacted local support for arts providers and reduced the amount of income generated from endowments and cash reserves. Corporations and foundations have reduced their level of support for the arts. Many arts organizations in Indiana have experienced lower levels of earned income (ticket revenue), and corporate, foundation, and government support and have been forced to scale back on staffing, programs, and other business expenses.



This is an image of an abstract painting that is done in shades of green, gold, orange, magenta, purple and black using "Art for All" wheelchair equipment. The painting was created by Courtney Kimble of Clay High School in South Bend.

Evaluation and Accomplishments

The total audience for IAC-supported programs is 16.5 million persons, including 5.2 million school-age children and 2.8 million older adults. The IAC provided \$2.5 million in over 360 grants to the Regional Partnership Initiative. The total amount of IAC funds spent on support for arts providers, and individual artists is \$3.5 million.

The opening of the new Indiana State Museum in 2002 provided new public programs, educational opportunities, rotating temporary exhibits and an outstanding home for Indiana's permanent collection of artifacts.

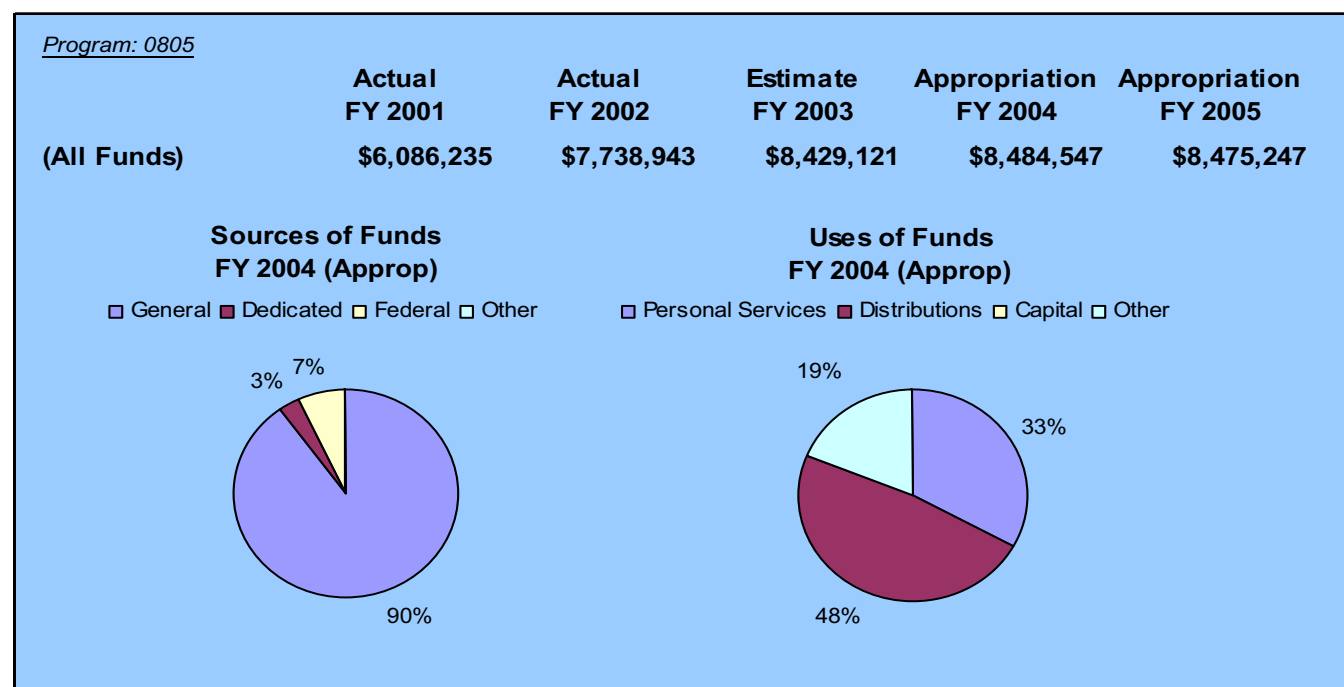
Plans for the Biennium

Governor O'Bannon established the Indiana Heritage and Culture Council, composed of public and private agencies, to ensure the state is efficiently and thoroughly protecting, preserving and nurturing its historical and cultural resources. The Council's preliminary report, submitted to the Governor in December 2002, recommended the undertaking of a comprehensive economic impact study of the arts, cultural, and heritage sectors as well as the development of a collaborative planning infrastructure. In 2003 a work group was organized to build a total infrastructure based on the concepts introduced by the Indiana Heritage and Culture Council, with considerations being given to current budget and fiscal constraints.



The New Indiana State Museum

The IAC strategic plan for 2004 - 2005 is focused on developing the capacity of the Regional Partners, increasing public awareness for the arts, creating opportunities to strengthen arts providers, and providing resources and services that increase the capacity of Indiana's artists to make a living from their art.



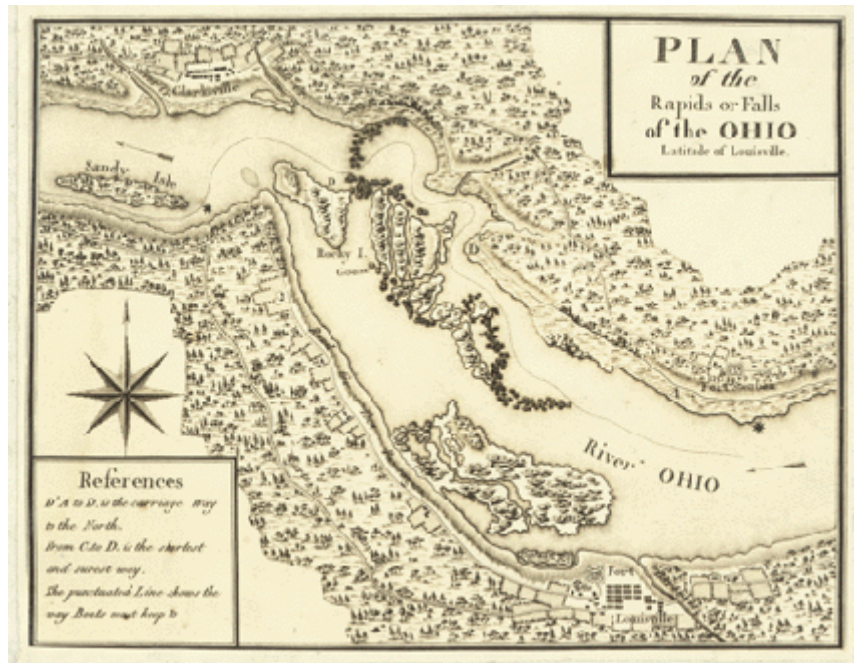
Library and Public Information Resources

Mission

To provide information resources to Indiana citizens.

Summary of Activities

The **Indiana State Library** was established in 1825, and was charged with providing library services to Indiana's government and citizens. It also provides specialized services not available at local libraries, and strengthens and supports the library profession. The State Library has a reference division that serves as a repository for all federal and state documents, a loan division that includes the only general circulation Braille library in the state, and an Indiana division, which includes a large section devoted to genealogical research. Indiana has 238 public libraries, 380 school corporation media centers, 194 special libraries, and 86 academic libraries. The State Library also



facilitates electronic access to information. It administers the INSPIRE program, Indiana's "virtual library". In conjunction with the academic, public, school and special libraries of Indiana, INSPIRE offers access to a full range of commercial databases and other electronic resources to support the educational, cultural, personal and economic interests of Hoosiers from their homes, offices, libraries, schools and businesses in Indiana. The State Library also administers Library Services and Technology Act grants for libraries in the state.

The **Commission on Public Records** manages the birth-to-death life cycle of all government records, preserving and making accessible the most valuable legal and historical records in the State Archives. The Commission provides advice, guidance, and retention schedules regarding public records for all local and county governments. It maintains a public records center that provides state agencies with off-site storage for inactive records.

The **Public Access Counselor** provides advice, assistance, opinions and training on the state's public access to records and meeting laws.

The **Access Indiana Information Network (AIIN)** is an Internet-based interactive communication and transaction system designed to make communication of information quicker and more convenient for residents and businesses throughout Indiana. The AIIN web site provides links to local governments, business and professional resources, associations, and other public information. Currently there are approximately 100,000 pages of content covering more than 75 state agencies, departments, and commissions, the judiciary system of Indiana, and the legislative branch, including elected officials and the Indiana Code and Administrative Code.

External Factors

A significant external factor affecting library and public information services is the growing demand for legal records and information, and the increasing number of commercial databases that contain information needed for business and government to carry out planning and decision making. The cost to make these services available continues to rise each year along with the demand. Authentication issues related to new electronic record formats will also need to be addressed.

Evaluation and Accomplishments

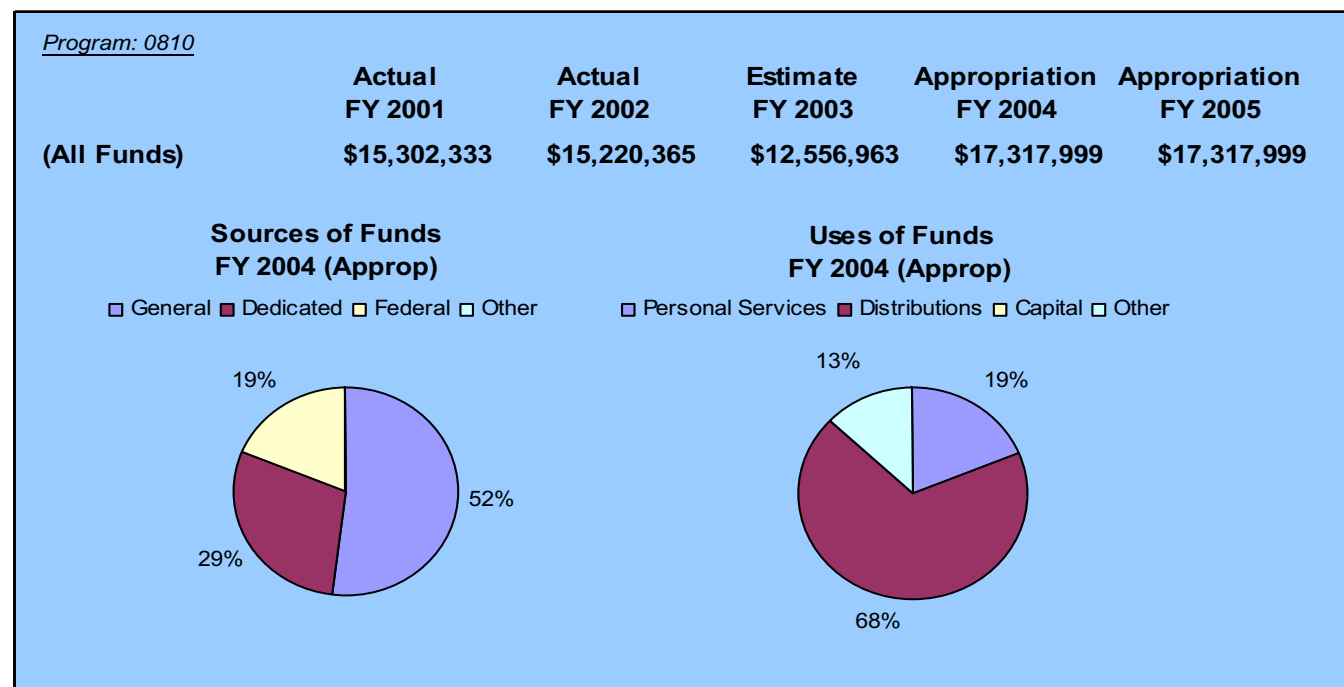


- The most significant accomplishment has been the completion of the remodeling and construction project for the Indiana State Library and Historical Building. Besides adding 45,000 square feet of space, the remodeled building provides additional shelving space that has adequate temperature and humidity controls for historical documents, updated electrical and plumbing, and restored historical stone and paneling.
- The State Archives were moved from the Indiana State Library building to a new location at the State Logistic Center. The Archives now rest in a secure area with state of the art shelving and preservation vaults, ensuring records preservation and longevity.
- Electronic access to the INSPIRE databases continues to grow. From July 1, 2002 to June 30, 2003 there were 2,215,161 logins to INSPIRE. The logins resulted in 8,119,623 searches and 45,155,438 full text pages downloaded.
- AIIN provided the public with access to free applications, including a searchable database of licensed child care providers, state college grant and scholarship information, state emergency management information, a searchable version of the Indiana Code, Department of Natural Resources water quality databases, and a sex offender registry. New information is continually being added. AIIN receives over 5 million web "hits" per month.
- Over the last biennium, the Public Access Counselor office received more than 3,800 contacts, issued 77 written advisory opinions, and conducted 25 educational and training presentations.

Plans for the Biennium

The proliferation of electronic records presents a big challenge to the Commission on Public Records. In response the Commission will develop a broad electronic records management program that addresses the unique issues presented by computer production of records.

With the completion of the State Library construction project, attention will focus on outreach, marketing, and public relations; improving library services (including the continued processing of the Indiana Manuscript collections); purchasing Indiana newspapers on microfilm not presently in the collection; adding microfilm copies of county and private records for family history research; and placing enhanced census and business data on the world wide web.



Legislature

Mission

To perform each of the duties and to exercise all of the legislative functions granted or ordered by the Constitution of Indiana.

Summary of Activities

The first branch of state government established by the Constitution of the State of Indiana is the Indiana General Assembly (Article IV). The General Assembly is comprised of a **House of Representatives** and a **Senate**. The Constitution fixes the maximum number of Senators at 50, while the House can include up to 100 members.

The Constitution makes each chamber of the General Assembly a fully autonomous and independently organized body. The General Assembly is the only branch of government that is permitted to change the laws of the state. Holding the purse strings of government is a very important power of the General Assembly — no money may be drawn from the State Treasury except by an appropriation made by the Legislature. Each chamber elects its own officers and has its own rules of procedure. However, the Lieutenant Governor serves as the President of the Senate by virtue of his or her office.

In the absence of the Lieutenant Governor, the President Pro Tempore presides over the Senate. Senator Robert D. Garton of Columbus was elected by the Senate to serve as the President Pro Tempore for the 113th General Assembly. His leadership counterpart in the House of Representatives is Speaker B. Patrick Bauer of South Bend.

Each General Assembly meets for a two-year term. The term begins after each general election held in November of even-numbered years. The first session is referred to as the “long session.” It meets until April 29 of each odd-numbered year. The “short” session runs during even-numbered years and must conclude by March 14. The primary difference between the sessions is that the biennial budget is adopted during the long session.



The House of Representatives and the Senate have formed about three dozen standing committees to study legislation introduced by the members. During a “long” session approximately 2,200 bills are introduced. About 900 to 1000 bills are introduced during a “short” session. The committee chairpersons decide which introduced bills are “heard” or considered. If the committee favors a bill, it “reports” the bill back to the full chamber.

The Senate, or House, may attempt to amend the bill during the “second reading” of the bill. After debate, a bill is eligible to be placed on the “third” reading calendar. A bill on third reading is voted “yea” or “nay” by the full body. If a bill receives at least 51 House votes, or 26 Senate votes, it is sent to the other chamber where it must once again pass through three readings in order to progress to the Governor’s desk for his or her signature or veto.

After completing its session work, the General Assembly adjourns until the following year, unless the Governor calls a special session. Special sessions are generally called to deal with budgetary matters, but in rare instances have been used to deal with other substantive and time-sensitive legislation.

While the General Assembly is adjourned, the Legislative Council manages the day-to-day operations of the organization. The Council includes the leaders of the four caucuses and twelve other legislative leaders. The Council meets in May or June to establish “interim” study committees, which are assigned a number of topics to study in depth.



B. Patrick Bauer
Speaker of the House
of Representatives

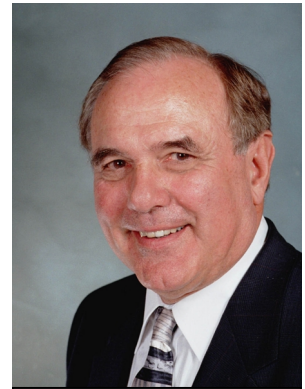
Most interim study committees draft legislation and a final report to recommend to the full General Assembly. A small partisan staff serves each caucus. The Principal Secretary of the Senate manages the Senate, while the House elects a Principal Clerk.

Each caucus has professional fiscal analysts who advise the caucus members of the fiscal impact of the biennial budget bill and other bills. In addition, persons who assist with constituent services and media relations serve each caucus.

In addition to partisan support staff, the Legislative Services Agency (LSA) serves as the nonpartisan administrative agency for the entire Indiana General Assembly. LSA is composed of three main offices. The Office of Bill Drafting and Research consists of one director, one deputy director, and 19 full-time attorneys. The legal staff drafts bills,

conducts research, and staffs all session and many interim legislative committees. The Office of Code Revision consists of one director, two deputy directors, three full-time proofreaders, seven temporary session proofreaders, three full-time printing staff, six session staff, and two administrative assistants. The office implements revisions to, publishes, and distributes the Indiana Code, the Acts of Indiana, and the Indiana Administrative Code and Register. Collectively these publications contain all of the current laws and all of the administrative rules of state government. The Office of Fiscal and Management Analysis consists of one director, one deputy, and 12 fiscal analysts. The office conducts fiscal and management research and analysis.

In addition to the above offices, LSA is responsible for providing paper or electronic copies of all legislative bills, amendments, resolutions and other legislative documents to the public. It also maintains the computer network for the House, Senate and LSA, serves as Indiana's liaison with the United States Bureau of the Census for the Block Boundary and other redistricting-related programs, and publishes all legislative bills for distribution to the General Assembly. LSA also compiles, prints and distributes the annual Indiana Handbook of Taxes, Revenues, and Appropriations.



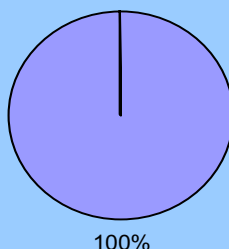
Robert D. Garton
President Pro Tempore
of the Senate

Program: 0900

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$29,390,643	\$29,091,625	\$33,585,823	\$31,720,758	\$35,553,459

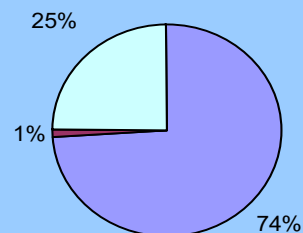
**Sources of Funds
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other



Support and Operations

Mission

To provide administrative and support services to all state operations in a manner that allows state agencies to serve the citizens of Indiana in an effective, responsive, and efficient manner.

Summary of Activities

A variety of state agencies, boards, and commissions provide essential support services to state agencies. They include:

The Indiana Department of Administration (IDOA) manages state construction projects, administers procurement and service contract procedures, manages and maintains state-owned facilities, oversees compliance with state and federal laws regarding minority, disadvantaged, and women business enterprises, and provides general services including the state motor pool, printing, mail distribution, recycling and travel. The recycling division of IDOA manages the continuing development and implementation of Indiana's Greening the Government Program. The procurement division has duties that include vendor registration, bid solicitation, vendor selection, contract compliance, and procurement of goods and services. IDOA provides maintenance for the Indiana Government Center Complex in Indianapolis, which includes state office buildings and the Statehouse.



The IDOA Division of Information Technology (DoIT) provides fee-based technology services to state government, including a full range of voice and data network services; mainframe, midrange and local area network services; and quality, innovative, cost-effective and timely information technology services. The Information Technology Oversight (ITOC) reviews and oversees technology projects pursued by state agencies.



Stephen Carter
Attorney General

The Office of the Attorney General represents the State of Indiana in legal matters. The State Ethics Commission promotes ethical conduct of state officers and employees through training, advising and enforcement of the standards of conduct.

The State Personnel Department provides human resource services to state agencies including: developing and maintaining the Human Resource Information System (HRIS); consulting on organizational design; managing the classification and compensation system; administering health insurance and other employee benefits; providing high quality professional training and development courses; attracting a diverse workforce; developing state personnel policy; and leading negotiations with the three state unions and administering the resulting settlements. The State Employees' Appeals Commission reviews complaints filed by state employees and sets evidentiary hearings for appropriate cases.

The Public Employees' Retirement Fund (PERF) provides pensions and pension services to most state employees, the legislature, the judiciary, and employees of participating municipal units. PERF manages approximately \$10 billion in combined assets. The fund covers nearly 200,000 current and former employees of more than 1,100 separate employers, and pays benefits to nearly 60,000 retired or disabled members on a monthly basis.

External Factors

There are many external factors affecting the services provided by the support and operations agencies: the rising cost of fuel and materials, budget appropriations, shortage of skilled labor, economy and job market, changing technology, increasing use of electronic records, and changes in state and federal pension and tax laws.

Evaluation and Accomplishments

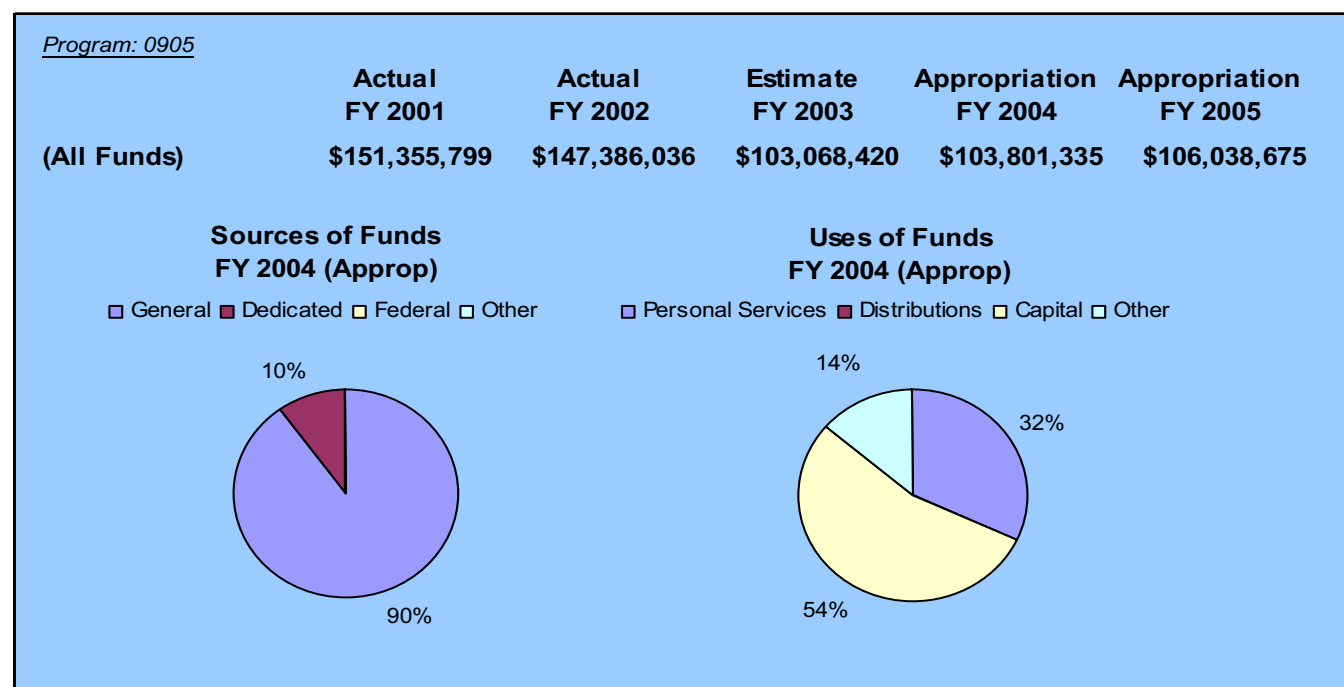
Police security for the Indiana Government Center formerly administered through the Indiana Department of Administration (IDOA) was transitioned to the jurisdiction of the Indiana State Police to better coordinate the law enforcement services and protection to workers and visitors in the state government buildings. The efforts of IDOA to grow and mentor minority business appears to be producing results as more and larger projects are awarded to minority-owned businesses. In the 2002 Digital States Survey Indiana ranked number one among all states in the category of Management and Administration of Information Technology. ITOC developed and promulgated new accessibility guidelines for public information systems.

The State Personnel Department achieved over \$4 million in savings as a result of the State's Voluntary Furlough Program and adjusted the compensation plan to offset increases in state employees' healthcare contributions. The Department also administered the Early Retirement Incentive Program which resulted in approximately 1,400 state employees retiring. It also enhanced the utilization of technologies including web-based insurance open enrollment, electronic training materials, online employment application process, online training registration process, and a new Job Bank search engine.

PERF worked closely with the State Personnel Department to successfully administer the State Retirement Incentive Plan. PERF's call center completed its first year of service to PERF's members and employers fielding nearly 100,000 calls at an average speed of answer of less than 30 seconds and a 97% answer rate in its first year of operation. A new hiring policy to include criminal background checks on all current and new employees was adopted in recognition of the sensitive, personal information PERF is charged with managing. The Fund has also engaged a security consultant to undertake a cyber and physical security assessment.

Plans for the Biennium

The Procurement Division within the Indiana Department of Administration will continue to evaluate the initiation of eProcurement. The Public Works Division will work with state agencies to assess their physical needs and plans. DoIT will increase the resource sharing opportunities to focus on the evolving needs of their customers. PERF will continue to pursue initiatives designed at improving customer service and providing enhanced access to information and services by members and employers. PERF's publications and website will undergo review and update.



State Financial Management

Mission

To provide safe, prudent, efficient, and proper budgeting and management of public funds.

Summary of Activities

The **Auditor of State** maintains and oversees the financial records of the State of Indiana, as directed by appropriate accounting standards and the Indiana Code. The Auditor of State's office also provides services to other agencies and branches of government regarding financial issues and analysis. The Auditor of State's office pays the state's bills and manages the state's payroll.



Tim Berry
Treasurer of State

The **Treasurer of State** is responsible for the safekeeping and investment of monies paid into the State Treasury. The Treasurer's office invests and accounts for over \$3.5 billion, including the state general fund and over 70 trust funds, and manages and invests the Public Deposit Insurance Fund.

The **State Budget Agency** oversees the development, enactment, and implementation of the state budget. As part of this process, the Budget Agency develops a comprehensive recommendation that is submitted to the General Assembly. The Budget Agency also uses its allotment and accounting management responsibilities to ensure that the state budget is implemented in accordance with the appropriations act and the Governor's fiscal priorities. In addition, the Budget Agency provides ongoing fiscal and policy analysis to the Governor and the General Assembly on policy issues

and proposals. The Budget Agency is a major part of the state's revenue forecasting process and provides forecasts of a variety of revenue sources that aid in budget development.

The **State Board of Accounts** audits the financial statements of all governmental units within the state, including cities, towns, utilities, schools, counties, license branches, state agencies, hospitals, libraries, townships, and state colleges and universities. Investigatory audits are performed to reveal fraud or noncompliance with local, state and federal statutes. The Board of Accounts also prescribes forms and uniform accounting systems, provides training for public officials and employees, publishes manuals, newsletters and technical bulletins, and offers consulting services to officials at the state and local levels.

External Factors

State financial management can be strongly affected by differences between forecast and actual revenue collections, and between expenditure pressures and budgeted appropriations. Budgets are developed and enacted 24 to 36 months prior to the end of the budget period. As history has indicated, the state's – and the nation's – economy can change drastically during that period of time. As a result, both the amount of state revenue and the need for state services can change as well.

The Treasurer's ability to maximize state interest earnings is affected by changing interest rates and financial markets, while changes in accounting standards affect the audit practices of the State Board of Accounts and, thereby, all state and local units of government. The technology, staffing, and equipment needs of the Auditor of State are determined by the requirements imposed upon it by the General Assembly, state agencies, and local governmental units.

Funding the State share of Medicaid assistance and Department of Correction needs are two of the challenges the State administration confronts in managing the budget for Fiscal Years 2004 and 2005. The General Assembly effectively maintained Medicaid appropriations for Fiscal Years 2004 and 2005 at Fiscal Year 2003 levels and limited growth in Correction appropriations for the budget biennium. However, \$168.0 million of new federal aid will benefit the Medicaid program in Fiscal Year 2004. In addition, another \$103.1 million of federal aid is expected to be available in Fiscal Year 2004 for limited budget relief.



Connie Kay Nass
Auditor of State

Indiana Department of Financial Institutions



Evaluation and Accomplishments

The strong performance of the organizations charged with state financial management have helped to mitigate some of the effects of a recession that resulted in two consecutive years of declining revenues while still maintaining the state's fiscal integrity. The state's shadow bond rating has continued to remain at Aa1 / AA+, the highest level in the history of the state and only one level below AAA, the highest rate possible. In FY 2001, the Treasurer generated interest earnings on the state's investment portfolio of over \$160 million. Tighter federal audit requirements have been met and local government audit reports have been streamlined. By developing both technical resources and computer applications, financial transactions can be processed faster and financial information can be made available to state agencies and local political subdivisions in a more timely and efficient manner.



Plans for the Biennium

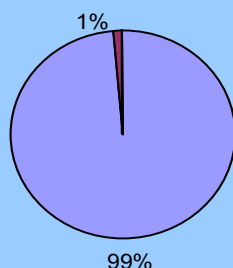
The State Budget Agency will continue its efforts to provide better information, analysis, and forecasting to the Governor and the General Assembly. The Budget Agency will continue to monitor allotments and capital expenditures for each agency. Financial management agencies will continue to improve support to state and local governments, allowing them to be more efficient, effective, and responsive to the changing needs of Hoosiers. The Treasurer will continue to improve upon the state's investment performance.

Program: 0910

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$25,714,676	\$226,532,972	\$201,832,641	\$27,540,277	\$27,540,277

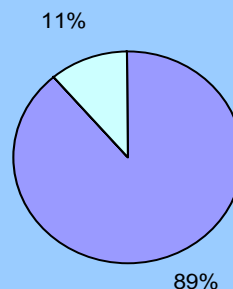
**Sources of Funds
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other



State Tax Collection & Administration

Mission

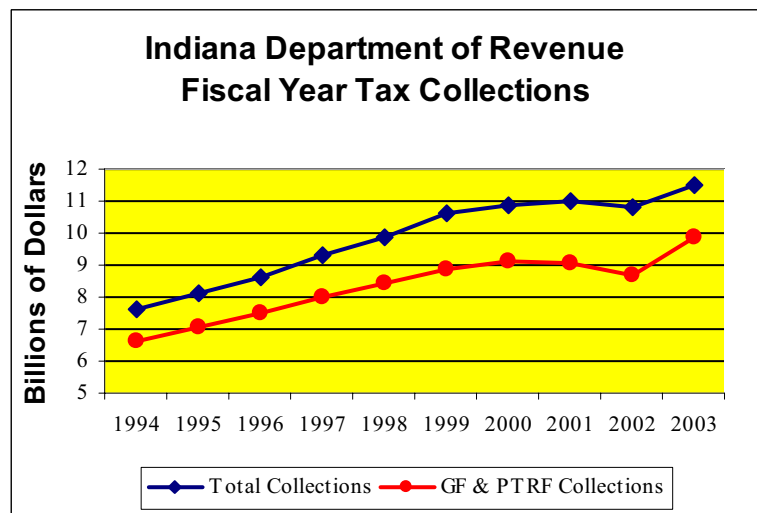
To administer the tax laws of Indiana in an equitable and courteous manner and to promote the highest degree of public trust and voluntary compliance.

Summary of Activities

The **Department of Revenue (DOR)** serves as the state's primary administrator for tax laws, collecting over 40 taxes and fees from taxpayers. The DOR closed out FY 2003 with collections exceeding \$11.5 billion.

The total tax filing population consists of 2.8 million individual income tax returns — 96,000 corporate, 180,000 sales and use tax, 155,000 withholding tax, 55,000 fiduciary, 14,500 inheritance tax, 800 financial institutions tax, 50,000 motor carriers, 36,000 insurance and authority carriers, 250 various other motor fuel filers along with alcoholic beverage and tobacco filers. Also included as customers are approximately 1,000 annual charity gaming (bingo) license holders and 30,000 International Registration Plan permit holders.

The Audit Division of the DOR promotes voluntary tax compliance throughout the state and country in all tax areas through quality examinations. The Audit Division is divided into two sections, Income / Sales and Special Taxes. The DOR Criminal Investigation Division works closely with the auditors regarding enforcement.



External Factors

The Department of Revenue is impacted by growth in the total number of tax filers, increasing costs for traditional forms of communication such as printing and postage, and the rapid emergence of new technologies. These factors present both challenges and opportunities for the Department. While traditional methods of communicating with tax filers cannot be abandoned in the foreseeable future, information technology tools can be used to supplement traditional methods; and, to some extent, offset their increasing costs. The Department is now turning its attention to the Internet to allow taxpayers easy access to file and pay known liabilities.

Evaluation and Accomplishments

The use of electronic filing for tax purposes continues to expand in Indiana. In 2002, the Department experienced its first year where more than half of all individual income tax returns were received electronically (including 2D barcodes).



In 2003, the number increased again where preliminary figures show that almost two-thirds of all returns were received electronically. Electronic returns are quicker and less expensive to process than traditional paper returns, produce fewer errors, and generate faster refunds.

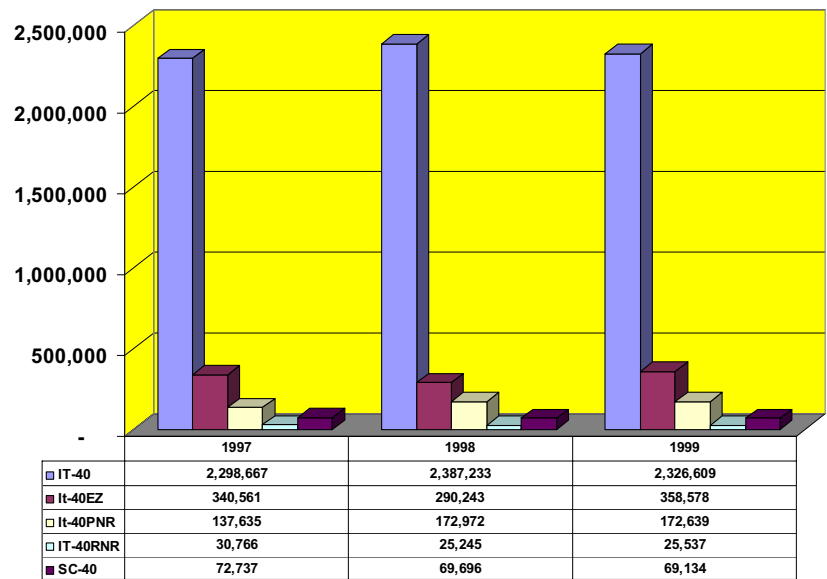
INDIANA DEPARTMENT OF REVENUE

INTERNET TAX FILING

Though tax payments have recently been accepted over the Internet, the Department has added another feature: eCheck. The eCheck payment method, which uses a paperless check, was available for the first time during the past filing season. This new service can be used to pay the tax due on the individual income tax return, or any billing issued by the Department for any type of tax.

A BT-1 Internet application was launched in 2003. This allows taxpayers to register with the Department for various tax types and receive a retail merchant's certificate. This application is for new filers only and cannot be used to update current information about an existing business. Once the application is completed and submitted, the taxpayer will hear back from the Department within 48 hours on the status of the application.

Department of Revenue Individual Returns Processed



Plans for the Biennium

The Department of Revenue will continue to develop and implement innovative processes that will enhance customer service, improve efficiency, and create a more reliable, customer-focused revenue system.

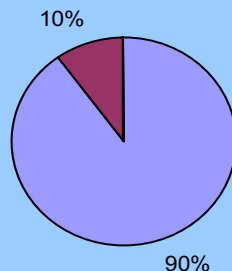


Program: 0915

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$68,379,533	\$60,720,351	\$58,301,700	\$60,362,024	\$60,362,024

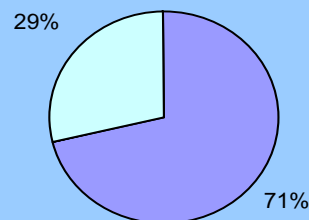
Sources of Funds FY 2004 (Approp)

General Dedicated Federal Other



Uses of Funds FY 2004 (Approp)

Personal Services Distributions Capital Other



Local Tax & Budgeting Administration

Mission

To oversee and administer Indiana's property tax control laws, including provisions that regulate local government spending and decision-making.

Summary of Activities

The **Department of Local Government Finance (DLGF)** is responsible for the review of budgets, excessive levies, and bond issues secured by local property taxes. The DLGF's Budget Division has the primary responsibility for monitoring local government spending. The DLGF advises local units during the budget planning stages. It also oversees and ultimately certifies all units' budgets, rates, and levies in the state. In a typical year, the Budget Division reviews approximately 2,300 budgets. The statutory deadline for approval of budgets is February 15.

In addition, the DLGF, with the advice and recommendation of the Local Government Tax Control Board and the School Property Tax Control Board, reviews new capital requests and financing methods for proposed projects ranging from new school construction to fire truck purchases. In a typical year, the DLGF reviews approximately 200 bond issues, 200 appeals for levy limitations, and 1,900 requests for additional appropriations affecting 4,000 different levy funds.

In order to administer the budgeting system, the DLGF maintains LOGODABA (the Local Government Database) that serves both as a tool for the agency during the local budget certification process and as a warehouse for local government property tax information. Other state agencies, academics, and the general public regularly use this information.

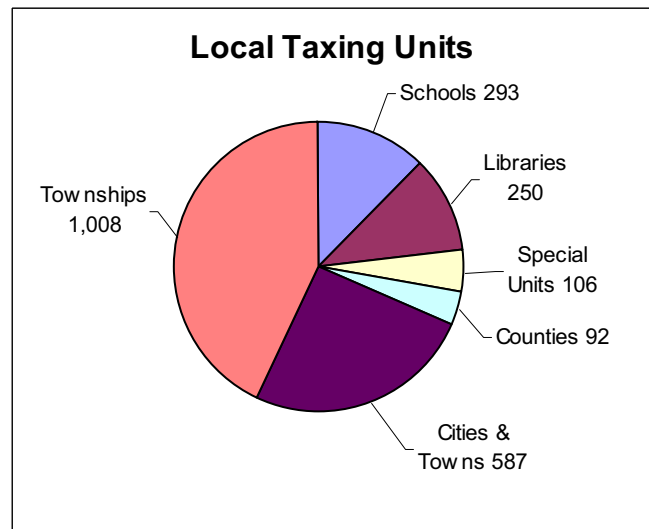
The budget division also reviews and approves personal property tax abatement requests filed throughout the state.

The division offers new official training in the spring and holds individualized sessions with each taxing unit during the summer. Additionally, staff members regularly speak to various associations on the local government budget process and are available to meet with locally elected officials and others to discuss questions pertaining to the budget process, review specific issues that arise, and answer general questions about the DLGF.

External Factors

The most significant external factors affecting local tax administration and budgeting are (1) completion of the 2002 reassessment; (2) balancing the need for independent local decision making with the need for coordinated and responsible oversight, and (3) tracking, advising, and keeping local units current on changing legislative requirements.

The most serious exterior impact on local budget making and the DLGF's budget division is the implementation of the court-ordered reassessment. The budget process begins with certification of assessed values (AVs). Many counties have had software problems and associated delays in completing the 2002 reassessment, and, thus, delay in determination of AVs. Many counties will not complete the current year's budget process before the next year's budget cycle begins. These deviations from the standard budget cycle pose significant administrative challenges.





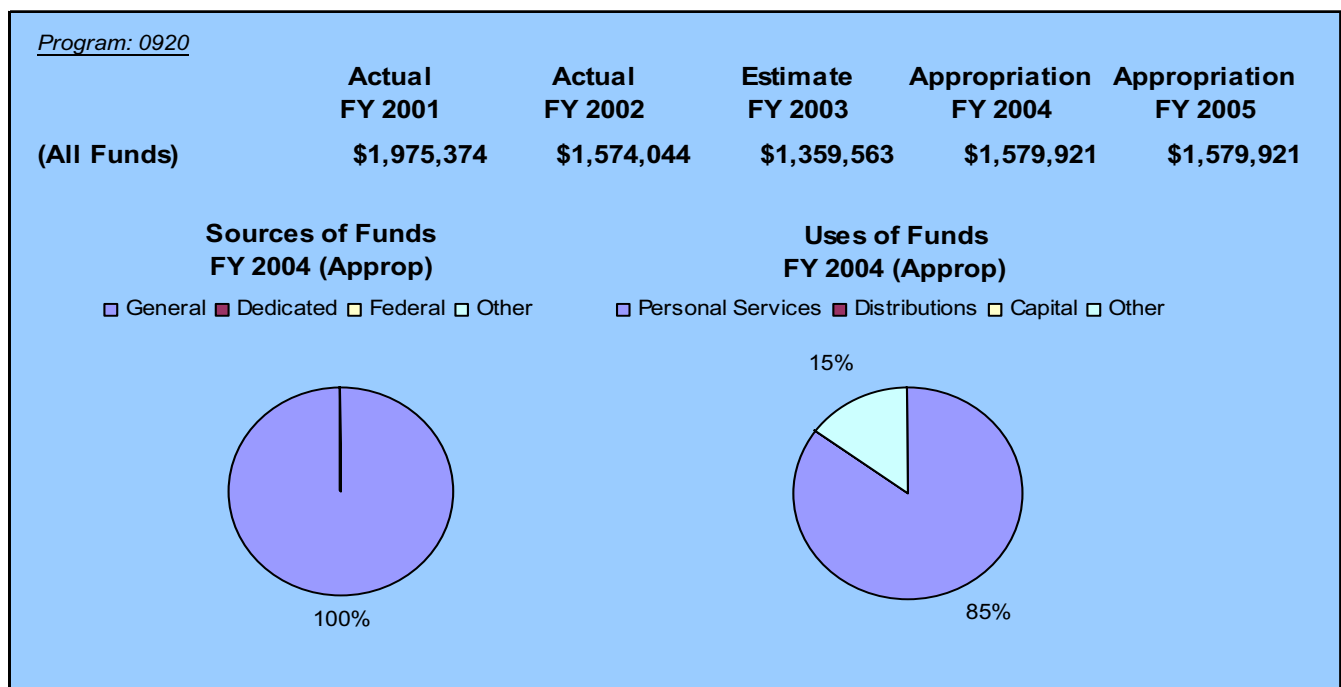
DLGF's review of local finances requires the agency to act as both adviser to local government and an enforcer of statutory protections for taxpayers. Maintaining a balance between adviser and enforcer is a challenge. Legislative and rule changes to the budget process occur annually. These changes drive the need for continuing training, both for the DLGF and local officials, to ensure compliance with statutory requirements. Changes also require upgrades and other modifications to budget programs and tools used to support the process.

Evaluation and Accomplishments

The DLGF continues to participate in many local government conferences to educate cities, towns, counties, and schools on the budgeting process and holds annual budget workshops and conduct one-on-one training for all taxing units. By statute, the DLGF is to issue budget orders by February 15. The DLGF has been proactive in identifying needed legislative changes. In these challenging years, the budget division has made several changes in its former practices in order to accommodate the changes in assessment methodology and implement the reassessment. These and other changes have required extensive modification to the software applications that support the budget process.

Plans for the Biennium

The DLGF's objectives for local tax administration in the next biennium are to continue to improve training opportunities for local officials and continue to improve the use of technology. By concentrating on training, the DLGF hopes to decrease the number of errors and omissions that sometimes occur in the budgeting process and to help local officials do their jobs more effectively. The DLGF's field budget program is revised annually with the ultimate goal of making it available to local officials for use during the budget process. The program ensures that calculations are made correctly and expedites data collection, transfer, and review.



Property Tax Administration

Mission

To ensure an equitable and uniform application of the property tax laws as administered by local officials. This includes hearing appeals from local property tax boards of appeal (PTABOA).

Summary of Activities

The **Department of Local Government Finance (DLGF)** and the **Indiana Board of Tax Review (IBTR)** are charged with property tax administration in Indiana.

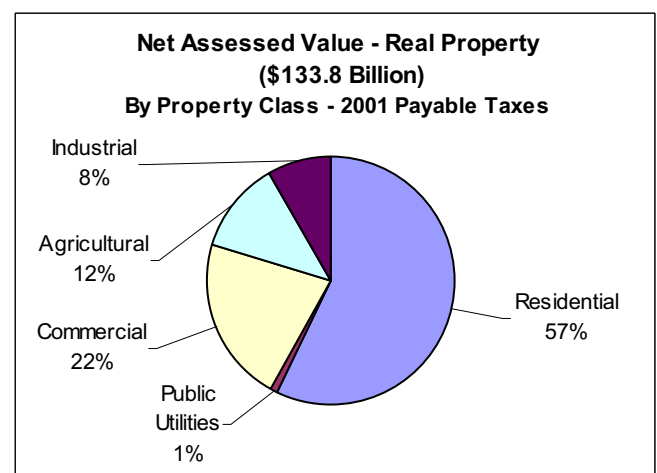
The DLGF interprets and provides guidance on the property tax laws to all of the local assessing officials in the state. The DLGF assessment division provides and oversees training in assessment practices and certifies assessing officials, tax representatives, contractors, and professional appraisers. The assessment division oversees and provides technical assistance to local officials in the reassessment process and reviews the equalization studies each county assessor is required to perform during the reassessment. In addition, the assessment division is directly responsible for assessing utility distributable property and certain large industrial facilities and conducts personal property audits and reviews exemption decisions made at the local level. The agency staff works with all levels of local assessing officials, making regular visits to local offices to answer questions and provide assistance.

The DLGF operations division monitors and supervises the assessment software programs that counties use to perform mass appraisal throughout the state in order to ensure that these systems are capable of generating values compliant with the state standards.

The DLGF has the statutory responsibility to reassess Lake County and to handle all appeals from the reassessment directly. The DLGF has contracted with Cole Layer Trumble, Manatron, and Crowe Chizek to perform this work. DLGF staffs make regular visits to Lake County to monitor and direct performance of the reassessment process.

The DLGF conducts ongoing research and analysis in all areas of property taxation to ensure that the distribution of the property tax burden is uniform and equitable. The DLGF, in conjunction with the Indiana Fiscal Policy Institute, is performing an independent equalization study of the 2002 reassessment.

The IBTR adjudicates real property, personal property and exemption appeals received from the county PTABOAs. County auditor decisions concerning Enterprise Zone Inventory Credits are also appealed to the Board, as are original assessments by county assessors and PTABOAs. In addition, the agency adjudicates direct appeals from DLGF assessments and reviews, including appeals concerning personal property audits and assessments of distributable property and large industrial facilities. The IBTR also has additional responsibilities during the 2002 reassessment because of the independent reassessment of Lake County. The agency is hearing Lake County appeals directly since the Lake County Assessor and PTABOA have been removed from the reassessment process.



External Factors

The most significant external factors affecting property tax administration are the completion of the 2002 reassessment by local officials, the subsequent independent analysis of its results, and the anticipated volume and complexity of taxpayer appeals. A map depicting the ongoing progress of the assessment is available on-line at http://www.in.gov/dlgf/news/reassess_map.pdf.

Evaluation and Accomplishments

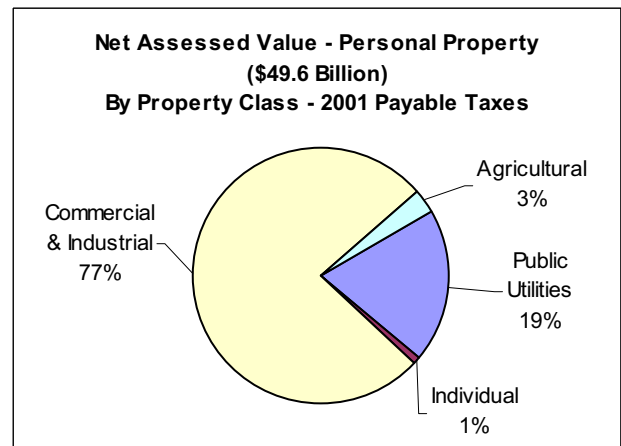
The DLGF finalized several rules during this biennium, an essential first step towards meeting the 2002 reassessment schedule and defining the process necessary to validate the reassessment once it is completed. In the meantime, the agency conducts periodic surveys of county assessors to determine reassessment progress and identify potential problem areas. In Lake County, DLGF's direct oversight activities have ensured that the project proceeds on schedule. The agency continues to be an important resource in training local assessors, especially important during this reassessment because of changes in assessment methodology. With regular visits to local assessor offices, we also provide a significant amount of one-on-one guidance.

The IBTR has eliminated the backlog of cases that has traditionally plagued the agency. The Board has also developed procedures and practices to comply with their more judicial role in the property tax appeal process and made all decisions issued since January 2002 available on-line. Staff training has been enhanced and strategies and revised administrative rules have been developed to improve the agency's ability to process and resolve the increased number of petitions anticipated from the 2002 reassessment.

Plans for the Biennium

The DLGF plans to address general needs that result from the changes in the property tax system and/or legislative mandates. This includes continuing to improve the level of technical assistance and training for local officials, developing/updating rules that guide the assessment process, and improving data capture, processing, and retrieval.

The IBTR's objective is to fully and fairly resolve all property tax appeals within the allotted statutory time frames. The agency will offer several procedures designed to expedite hearings and the issuance of its determinations, including a small claims process, alternative dispute resolution options, and "paper" hearings.

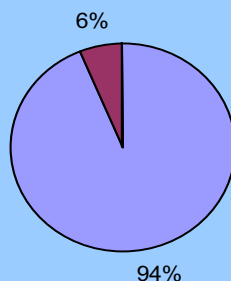


Program: 0925

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$3,916,617	\$4,070,339	\$4,046,043	\$4,481,476	\$4,481,476

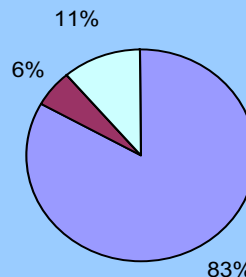
Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other



Elections

Mission

To govern the fair, legal and orderly conduct of elections in Indiana.

Summary of Activities

Elections in Indiana are regulated and coordinated by the combined activities of the **Indiana Election Commission** and the Election Division of the **Office of the Secretary of State**. Those activities are described below:

Training: One of the most important goals of the Division, this is accomplished through seminars including an annual conference, publications, and website: <http://www.state.in.us/sos/elections>.



Overseeing Voter Registration: The Division and the Commission prescribe voter registration forms, compile and maintain a statewide voter registration file, and oversee day-to-day operation of the state's voter registration.

Enforcing Campaign Finance Law: The Division and the Commission administer the Indiana Campaign Finance Act, serving as the repository for campaign finance data from thousands of committees, and offering them for public inspection in the Division office and on <http://www.indianacampaignfinance.com/>. The Commission is empowered to levy penalties for violations.

Certifying Voting Systems: The Commission must approve all voting systems prior to their purchase by counties or use by voters in Indiana elections.

Maintaining Election Maps: The Division is required to maintain complete legal descriptions and maps for all precincts in the state, and approves proposed changes to those precincts.

Serving as Indiana's "Clearinghouse" for Election Law and Procedure: The Commission serves as a clearinghouse of information pertaining to election laws, administrative rules, and other data for county election officials, news media, political organizations, and the general public.

The Division and Commission are also responsible for printing and distributing the certifications of candidacy and official paper ballots for all federal, state and judicial offices, resolving candidate eligibility challenges, administering polling accessibility standards, and developing a uniform set of election forms for use throughout the State.

External Factors

The number of candidates and political committees filing with the state can drastically affect the amount of mailing and data processing costs the Division incurs during an election cycle. It also impacts the amount of fines incurred when a committee files late or not at all. This makes the income of the campaign finance program unpredictable. However, it is the Division's desire to lessen or even end late campaign finance filings through education and improved filing so the Division never counts on these funds when budget planning.

Several outside organizations conduct voter registration drives as part of their "get-out-the-vote" efforts. It is difficult to predict with any certainty how many of these drives will take place during a cycle and therefore difficult to determine the Division's print orders to provide forms free of charge, as required by law. Increased registrations also come from the Bureau of Motor Vehicles and other public service facilities that are required to provide voter registration to their customers.

Evaluation and Accomplishments

The Election Division has begun to implement legislative changes, such as the use of a voter identification number for new and changed voter registrations, the adoption of provisional balloting beginning with the 2004 elections, and to work with county officials, voting system vendors, and the State Budget Agency to develop quantity purchase agreements and procedures to implement voting system improvements.

The Division has also continued to assist candidates and committees by improving campaign finance report software, and to enhance public access to campaign finance reports by making ongoing improvements to the Division's web site. The Division has continued to improve public access to information concerning legislative districts and precinct boundaries.

Finally, the Division continues to add features and improvements to their web pages so that Indiana voters have access to more information about candidates, election results, and other information to enhance meaningful participation in the election process.



Plans for the Biennium



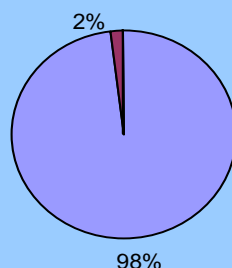
Congress passed the Help America Vote Act (HAVA) (P.L. 107-252) in October, 2002 which imposes new election requirements on states and calls for the upgrade of voting machines. More than \$2 billion was authorized by Congress in FY 2003 to help states with election reform efforts. It is estimated that Indiana will receive a total of \$55 million from these funds. The 2003 Indiana General Assembly then passed Senate Bill 268 which changed Indiana law to comply with the new federal law which calls for the improvement in the administration of elections, the educating of voters and training of election officials, the development of a state plan, the improvement and replacement of outdated voting systems, and the improvement in the accessibility of polling places. With these legislative directives the Election Division and the Office of the Secretary of State are in the process of implementing the mandates. The implementation will focus, among other things, on ensuring that all remaining punch card voting systems and lever systems are replaced in qualifying precincts by January 1, 2006.

Program: 0930

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$1,010,673	\$1,047,054	\$1,073,224	\$2,024,279	\$1,760,279

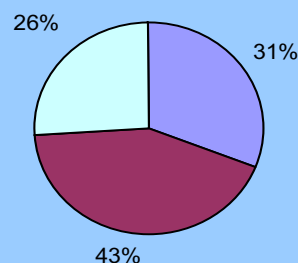
Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other



Labor Standards, Health & Safety

Mission

To promote the welfare of Indiana's workforce by administering a variety of educational and compliance programs designed to provide the knowledge and tools necessary to guarantee all workers safe, healthful, positive work environments, and the appropriate compensation for that work.

Summary of Activities

The **Department of Labor (DOL)**, **Civil Rights Commission (CRC)**, and the **Worker's Compensation Board** share responsibility for labor standards, health, and safety. DOL activities include:

- The Bureau of Safety Education and Training (BuSET) works with Indiana's employers, employees, labor, trade organizations, and other entities to ensure workplace safety and health through proactive education and outreach.
- The Indiana Occupational Safety and Health Administration (IOSHA) is responsible for compliance with Indiana's occupational safety and health regulations, and also conducts safety and health discrimination investigations. IOSHA is divided into three branches: industrial hygiene, industrial safety, and construction safety.
- The DOL Wage and Hour Division is authorized to promote the arbitration, mediation and conciliation of wage disputes between employers and employees. This division is responsible for enforcing Indiana's minimum wage law, wage payment statutes, and age discrimination law. The Bureau of Child Labor administers and enforces Indiana's child labor laws, which apply to gainfully employed minors aged 14-18. The Bureau of Mines ensures compliance with Indiana's mine safety provisions and maintains Indiana's only mine rescue station.



The Civil Rights Commission's enforcement activities include the investigation of civil rights complaints, the provision of an administrative forum for the adjudication of the allegations of unlawful discrimination, and once probable cause has been found, the prosecution of alleged violations of civil rights laws before administrative and judicial tribunals.

The Worker's Compensation Board provides dispute resolution services to injured workers, Indiana businesses, and their insurance companies and collects and maintains data on workplace injuries in Indiana.

External Factors

The most significant factors affecting Labor Standards are the economic and demographic changes occurring in Indiana's workplace. Indiana is anticipating an increase in both youthful and inexperienced workers and workers of advanced age. These are both groups with historically greater incidence of workplace injury. Moreover, as Indiana pulls itself out of the national recession, it anticipates fluctuating levels of experience in its workforce. As some traditional industries experience downturns, displaced workers must learn new skills and enter new professions. Indiana is also experiencing an influx of "hard to reach" employees. In this category are a growing percentage of workers whose primary language is other than English. These "hard to reach" workers and employers include those who are unaccustomed to seeking governmental assistance, temporary workers, and small business owners. These workplace trends require the State of Indiana to reach new and unique audiences in innovative ways.

IOSHA and BuSET have been approved as state plan organizations by the federal Occupational Safety and Health Administration (OSHA). As such, by law they must respond to legal and policy changes made at the federal level.

Evaluation and Accomplishments

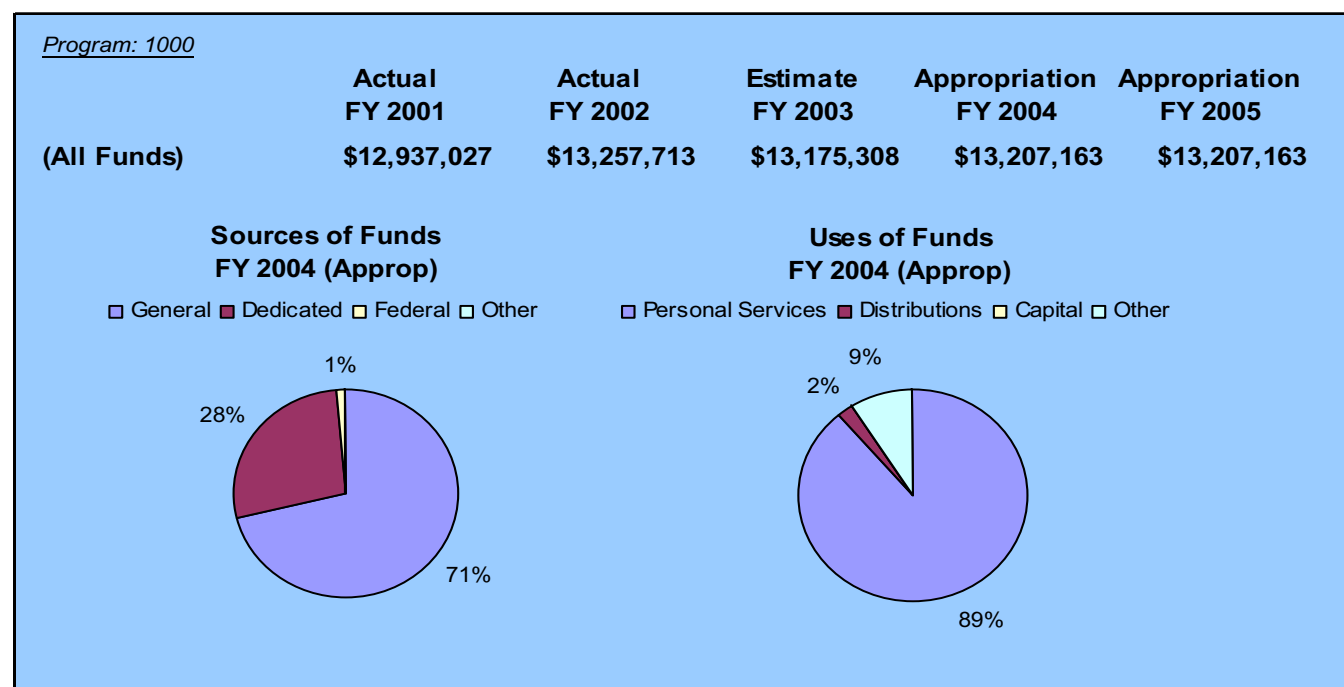
The Civil Rights Commission closed 884 cases in calendar year 2002. In that same period, it received 642 new discrimination complaints. Through the first half of calendar year 2003, the CRC has closed 822 cases while receiving 209 new discrimination complaints through that same period. The CRC has increased its public education and outreach programs in an effort to reduce discrimination and segregation in the areas of housing, employment, public accommodations, and the provision of credit. These efforts include a targeted advertising campaign to make people aware of their civil rights. The campaign includes Spanish language materials.

The Department of Labor's IOSHA division continues targeting employers, industries, and work-processes with high injury and illness incidence rates for concentration of its resources. This includes local emphasis programs for falls and scaffolds in the construction industry and a new focus on various industries with the highest injury and illness rates. IOSHA also provides proactive education coupled with enforcement for these employers along with a more detailed analysis of illnesses in these places of employment.

BuSET's Voluntary Protection Program (VPP) is designed to recognize and promote exemplary safety and health management programs where management, labor, and the DOL establish a cooperative relationship. Star status is the highest level attainable under the program and eighteen Indiana workplaces have now attained that status. BuSET has also created the Indiana Safety and Health Recognition Program (IN SHARP) which is designed to recognize smaller employers with an exemplary safety and health management system. The first Indiana employer, the City of Jasper, has been certified as an IN SHARP site and others are in the evaluation period. In conjunction with the Hoosier Safety Council, BUSET has awarded the fourth annual Governor's Workplace Safety Awards. This award recognizes individuals and organizations which have implemented innovative work-processes, equipment, education, outreach or partnerships which contribute to the workplace safety and health.

Plans for the Biennium

IOSHA and BuSET will continue their focus on high-hazard workplaces, combining effective outreach and education with fair enforcement of workplace safety and health requirements. They will re-examine their efforts in these areas at least annually to improve their efficiency and effectiveness in helping Indiana employers and employees experience the many benefits of workplace safety and health.



Regulation of Commerce

Mission

To protect Indiana consumers through regulation and supervision of Commerce.

Summary of Activities

The Securities Division of the **Office of the Secretary of State** oversees Indiana's securities industry. The division is charged with protecting Hoosier investors by bringing enforcement actions against companies and individuals selling securities in violation of Indiana's securities laws, and by educating Hoosiers about prudent investing. The division also regulates mortgage and loan brokers, and administers Indiana's franchise laws. Investor education information is available on the Internet at <http://www.in.gov/sos/securities/investor.html>.

The **Department of Financial Institutions (DFI)** regulates and supervises state chartered financial institutions to assure Indiana residents adequate and proper financial services; to protect the interest of depositors, borrowers, shareholders, and consumers; and to promote the safety and soundness of Indiana financial institutions.

The DFI Depository Division regulates and supervises 129 state chartered banks, 52 state-chartered credit unions, and six savings and loan associations. The total assets of these institutions at the end of 2002 totaled \$49 billion. A staff of 44 examiners performs both on-site and remote examinations in conjunction with federal regulators through cooperative alternating examination agreements.

The Non-Depository Division regulates and examines 306 licensed lenders with 578 branches, 79 pawn brokers with 57 branches, 67 rent-to-own companies with 293 branches, 53 check cashers with 194 branches, 27 money transmitters, and four budget service companies. A staff of 13 examiners ensures that these lenders follow the provisions of the Uniform Consumer Credit Code (UCCC), six other statutes, and regulations regarding disclosure, rates, collections, repayments, and delinquencies. This division also provides consumer-related educational materials on consumer laws, regulations, and policy. Consumer credit educational materials may be found on the agency Web site at <http://www.in.gov/dfi/education>.

The **Department of Insurance (DOI)** protects Indiana's insurance consumers by monitoring and regulating the financial and market conduct activities of insurance companies and agents. This work is carried out through the Agent Licensing Division, Consumer Protection Unit, and the Financial Services Unit. With a staff of 80, the DOI administers a variety of programs that serve Indiana's insurance consumers, insurance companies (including HMOs, TPAs, and provider networks), insurance agents, and other interested parties.

External Factors

Indiana's financial institutions have, for the most part, successfully weathered the challenging economic times during the past few years. DFI examiners have encountered some deterioration in the loan portfolios of supervised institutions, but the vast majority of state-chartered financial institutions have maintained strong earnings and capital positions. DFI examiners and management continue to work closely with those relatively few institutions that have been negatively affected by the economic downturn. The DFI will continue to closely monitor credit quality, and seek to ensure adequate and timely efforts by institution management to remedy any identified weaknesses.

Indiana's financial institutions are facing the challenge of increased competition from many fronts. In an effort to maintain favorable earnings in this highly competitive environment, depository institutions are continually evaluating new product offerings designed to boost non-interest income. The DFI will continue to proactively consider additional opportunities while ensuring both safe and sound operations, and consumer protection issues.



Todd Rokita
Secretary of State

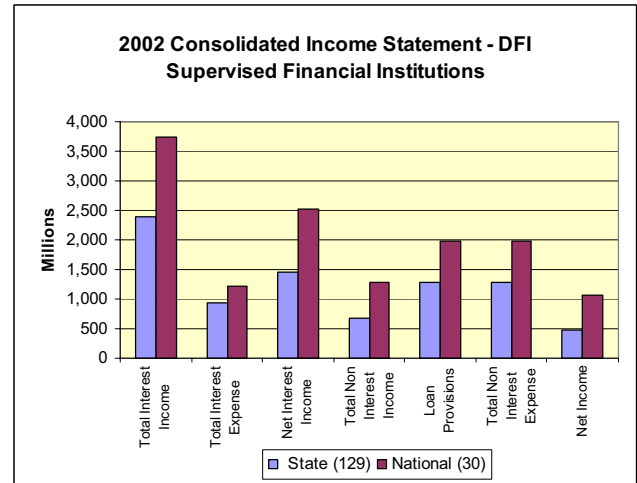
The increased availability of technology in the financial industry presents new and different challenges for regulation. Internet banking in particular represents a source of both great opportunity and significant regulatory concern. The DFI will continue to require that institutions undertake such initiatives only after adequate security and operational procedures are in place.

Evaluation and Accomplishments

Over the last six years, the securities division of the Office of the Secretary of State has imposed a record number of fines and penalties against scam artists preying on unsuspecting Hoosier investors.

The Indiana financial institutions industry remains strong. The DFI constantly strives to provide more effective and less intrusive regulatory services through a risk-focused examination process. Consumer credit examinations by the DFI continue to identify credit insurance, finance charges, and other overcharges to credit customers. These examination findings have resulted in refunds to consumers of \$1,081,729.00, \$2,114,450, and \$1,521,720 over the past three years.

During the past biennium, the Indiana Department of Insurance has focused on addressing consumer abuses generated by an economic downturn and the resulting “hardening” of insurance markets. Those efforts resulted in the passage of a regulation requiring substantial changes to credit insurance rating schemes; the mandated filing of all credit scoring methodologies used in rating Indiana auto and homeowners’ policies; the takeover and liquidation of two unauthorized health insurance plans; and the successful petitioning to Marion Circuit Court for cease and desist orders against two additional unauthorized health plans. During the same period, the Department recovered more than 11 million dollars for Indiana insurance consumers through its complaint adjudication process.

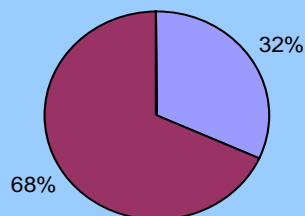


Program: 1005

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$15,223,011	\$13,862,083	\$16,552,019	\$16,913,067	\$16,973,067

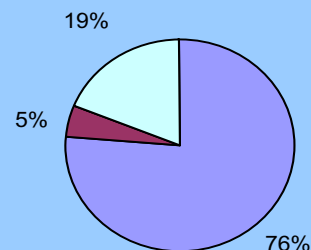
Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other



Licensing and Registration

Mission

To protect the economic welfare, health, and peace of the people of Indiana through appropriate licensing.

Summary of Activities

The Business Services Division of the Office of the **Secretary of State** administers activities including the chartering of new businesses, the filing of secured transaction liens under the Uniform Commercial Code (UCC), and the issuance of trademarks, notaries public, and summonses.

The **Alcohol and Tobacco Commission** (ATC) regulates the manufacture, sale, possession, and use of alcoholic beverages through the licensing and registration of more than 75 types of permits. The ATC also regulates the sale, possession, and distribution of tobacco products. Beginning July 1, 2003, any location where tobacco products are sold at retail must obtain a yearly certificate from the Commission.

The **Department of Insurance** licenses and regulates insurance companies and agents. The Company Records Division processes applications for licensure to conduct business in Indiana, while the Agent Licensing Division is responsible for issuing resident and non-resident agent and agency insurance licenses.

The **Professional Standards Board** (PSB) certifies the licensure of all K-12 teachers in Indiana. Teachers must obtain a post-secondary degree from an approved higher education curriculum, pass a licensing examination, and pursue continuing education.

The **Gaming Commission** licenses and regulates casino owners and suppliers, and provides occupational licensing to casino employees. Licenses are granted only after background investigations by the Gaming Enforcement Division of the Indiana State Police establishes that the applicant is suitable for the license.

The **Department of Revenue** (DOR) licenses and regulates charity gaming activities by qualified not-for-profit organizations and manufacturers and distributors of charitable gaming materials. The Motor Fuel Tax Section provides license credentials for various fuel distributors, while the Motor Carrier Services Division regulates the international vehicle registration plan, commercial driver's licensing, oversized & overweight vehicle permitting and safety and insurance registrations.

The **Health Professions Bureau** (HPB) provides administrative support and services for 25 Boards and Committees, including Athletic Trainers, Chiropractors, Dentists, Dietitians, Environmental Health Specialists, Health Facility Administrators, Medical, Nursing, Optometry, Pharmacy, Podiatry, Psychology, Social Language Pathology & Audiology, Veterinary, Hearing Aid Dealers, Hypnotists, Occupational Therapy, Physical Therapy, Physicians' Assistants, and Respiratory Care. HPB staff processes all license applications and renewals, and maintains information for verifications of license standing to the health care community and the public. The HPB administers examinations for many of the professions and conducts background research on license applicants.

The **Professional Licensing Agency** (PLA) tests the proficiency of potential licensees, maintains and updates vital information on licensed persons and businesses, and provides regulatory functions for thirteen professions. The PLA oversees the Auctioneer Commission, Boxing Commission, Funeral and Cemetery Service Board, Board of Accountancy, Plumbing Commission, Private Detective Licensing Board, Real Estate Appraiser and Certification Board, Real Estate Commission, Board of Registration for Architects, Board of Barber Examiners, Board of Cosmetology Examiners, Board of Registration for Professional Engineers, and the Board of Registration for Land Surveyors.

Effective July 1, 2003, the Health Professions Bureau and the Professional Licensing Agency consolidated licensing operations resulting in a more efficient response to customer needs.

All persons participating in pari-mutuel racing under the jurisdiction of the **Indiana Horse Racing Commission** are required to obtain an occupational license. The licensing process is the backbone of the Commission's regulatory efforts. Each prospective licensee is fingerprinted. The Federal Bureau of Investigation (FBI) and the Indiana State Police provide the Commission with criminal histories of all applicants. The Commission may refuse or deny the application for licensure of any person whose criminal or racing violation record is contrary to the public's best interest. The Commission licenses over 9,000 individuals annually.

External Factors

With the wide variety of licenses and registrations that fall within this program, external factors affecting Licensing and Registration activities are numerous. One consistent factor across all agencies performing these functions is growth. The continued increase in volume of licenses and registrations processed results in increased services provided by the agencies.

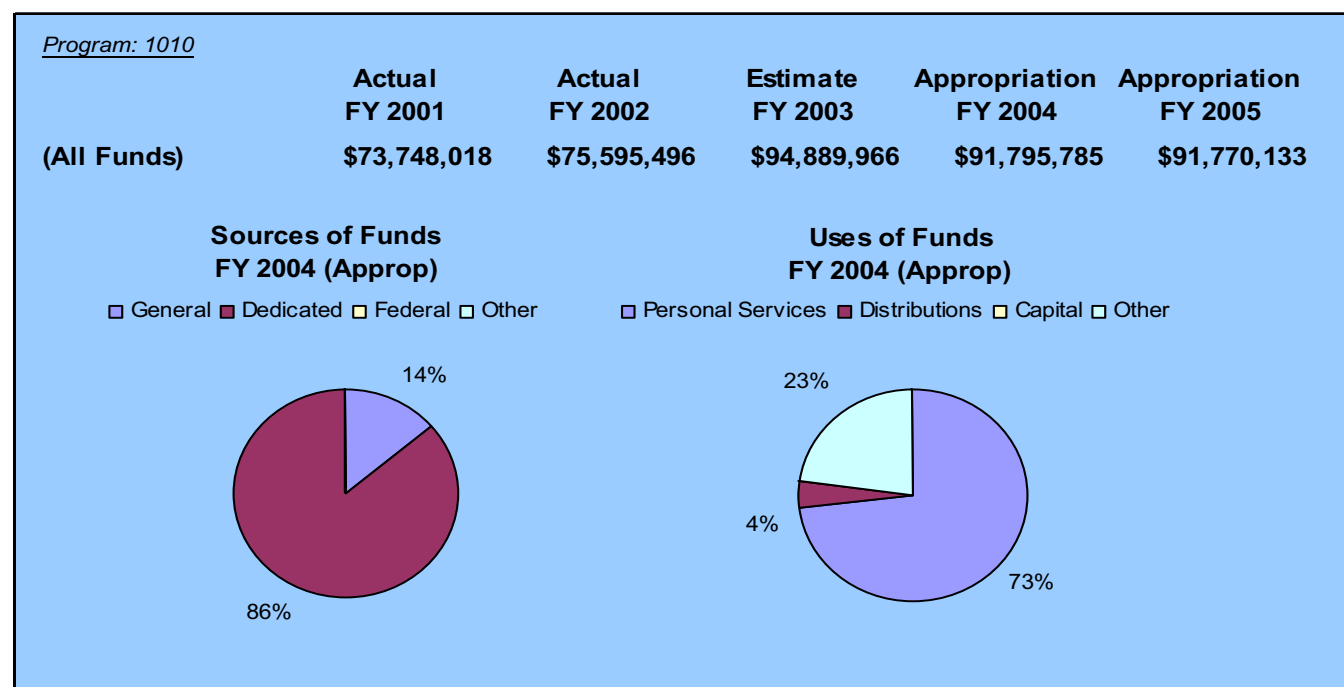
Evaluation and Accomplishments

The Office of the Secretary of State enabled citizens and businesses to search databases and print certificates via the Internet. The ATC implemented a new database to process all permits, improved interactions with local regulatory boards, and initiated a host of procedural changes to simplify and improve the permit process.

During the seven years of riverboat operation, the Gaming Commission has issued in excess of 35 suppliers' licenses and over 56,000 occupational licenses. The Horse Racing Commission maintains a simplified licensing process that allows horse owners to renew their licenses through the mail. Indiana was the first state to allow this process of licensure.

The Professional Standards Board received federal funds for the implementation of a new teacher certification process that will be more aligned with classroom teaching skills, continuing education, and Indiana's new academic standards. The Health Professions Bureau recently converted its activity to a new computer system that allows for much quicker issuance of license renewals and allows for greater coordination of all activities, including license verifications and the disciplinary process. The Professional Licensing Agency also implemented a new computer software program. With this new system, each PLA employee is able to service more licenses and print licenses on a daily basis, instead of once a week. This allows the licensees to begin working in their chosen profession as quickly as possible.

The Department of Insurance participates in the National Association of Insurance Commissioners' Uniform Certificate of Authority Application (UCAA), which allows a company to apply for a certificate of authority in multiple states with one application. DOI has made its agent disciplinary data base available online so consumers can refer to it before choosing an insurance agent. Non-resident agents can apply online for their licenses and resident agents will soon be able to do the same. DOI also participates in the NAIC's Nationals Insurance Producer (agent) Data Base.



Regulation of Utilities

Mission

To protect the public interest by assuring that utilities provide safe and reliable service at a reasonable cost.

Summary of Activities

The Office of Utility Consumer Counselor (OUCC) represents the interest of all Indiana utility consumers and the public relating to electric, natural gas, telephone, water, and sewer services. On consumers' behalf, the OUCC reviews utility requests on rates and other matters and examines utility accounting and financial records; inspects facilities, prepares depreciation and cost of service studies; and requests investigations, when warranted, of utility services or practices.

The Indiana Utility Regulatory Commission (IURC) has regulatory authority over more than 800 utilities. The utilities may be investor-owned, not-for-profit, municipal, cooperative organizations, or water conservancy districts. The IURC is also a fact-finding body that hears evidence in utility-related cases filed and makes decisions based on evidence presented in those cases. The IURC is charged with balancing the interests of ratepayers and utilities to ensure reliable utility service at reasonable rates. The IURC Consumer Affairs Division acts as a mediator between the utility and the consumer when customers have questions or complaints about billing, service quality, and other matters. Consumer Affairs uses information gathered in the complaint handling process to alert the Commission to any consumer problems. If the Division discovers a concern, it may request an investigation be conducted by the Commission or suggest to the utility's customers that they circulate a petition requesting a Commission investigation.



External Factors

The utility markets are undergoing various stages of profound transformation. These ongoing changes have resulted in federal government action that, to varying degrees, is introducing or increasing competitive forces in the marketplace.

Industry change will continue for the foreseeable future and dramatically alter utility markets in many ways, some of which are still undefined. Keeping pace in this environment has always been, and continues to be, a challenge for the OUCC and IURC. Because of recent federal action regarding the regulation of utilities, the workload of the Commission's professional staff is steadily increasing and will continue to increase in the future. This has been particularly acute in the telecommunications area, due to the federal action known as the Telecommunications Act of 1996 (TA96). This initiative imposes a large volume of very complex regulatory tasks on the IURC to be completed within relatively short timeframes.

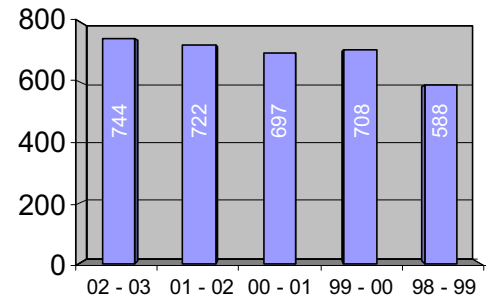


The electric industry may soon undergo competitive change similar to what has occurred over the last few years in the telecommunications area. Several comprehensive bills have been introduced during recent sessions of Congress without success that would have introduced retail competition to the industry. At the state level, electric deregulation has already been introduced in several jurisdictions across the country, including Illinois and Ohio. Utility regulation can be affected by fluctuations in the market price of natural resources. For example, recent increases in the cost of natural gas have raised concerns about the ability of consumers to affordably heat their homes.

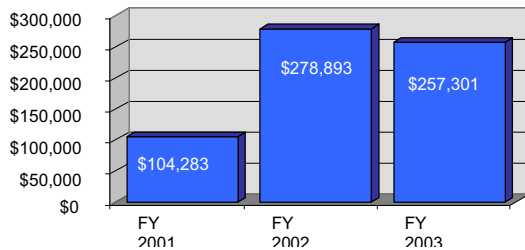
Evaluation and Accomplishments

The IURC has worked diligently in recent years to manage an increased caseload without requiring increases in staffing or other expenditures. Due mainly to the increase of telecommunications work related to TA96, the IURC has experienced an increase in the number of petitions filed for action, from 588 in the 1998-99 fiscal year to over 740 in 2002-03. As a party to each of these cases, the OUCC has also struggled with the increased workload. It has been challenging to absorb this dramatic rise without reductions in service quality. In the coming biennium the IURC plans to improve efficiency and productivity in order to address issues of regulatory lag by instituting measures to improve internal processes.

Petitions Filed



Utilities Adjustments



** Due to an ongoing proceeding before the IURC, a significant variance in adjustments was realized between FY 2001 and FY 2002.

The IURC Consumer Affairs Division has been an integral part in saving Indiana consumers considerable money by practice of mediating disputes. In recent years, the division has been successful in resolving issues between regulated utilities and its consumers resulting in credits/refunds in excess of \$250,000 a year**. An essential part of this success has been the development of strong relationships with representatives of the utilities and consumer groups. These relationships have allowed resolution of disputes without the need for escalation. A secondary piece of such communications with these groups has been the education of consumers regarding their rights and responsibilities in hopes of avoiding future conflicts.

Plans for the Biennium

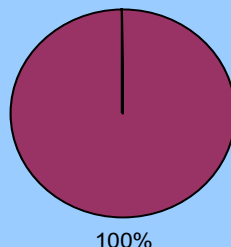
The IURC will take steps to decrease the caseload of individual staff in order to continue to reduce regulatory lag. Over the next two years the IURC will initiate methods for parties to file documents electronically, and promote increased use of the agency web site for timely public information availability.

Program: 1015

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$9,552,221	\$9,891,270	\$11,479,420	\$11,495,605	\$11,493,018

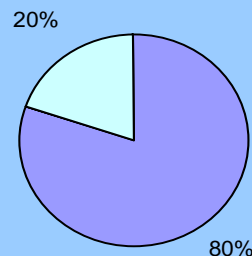
**Sources of Funds
FY 2004 (Approp)**

□ General ■ Dedicated □ Federal □ Other



**Uses of Funds
FY 2004 (Approp)**

□ Personal Services ■ Distributions □ Capital □ Other



Regulation of Gambling

Mission

To maintain the public's trust in Indiana's gambling and pari-mutuel racing industry through comprehensive law enforcement and supervision and strict regulation of all individuals and business entities involved in those activities.

Summary of Activities

Regulated gambling activities in Indiana include riverboat gambling on Lake Michigan and the Ohio River, pari-mutuel horse racing at Hoosier Park in Anderson and Indiana Downs in Shelby County, and charitable gambling activities such as bingo.

The **Indiana Gaming Commission (IGC)** regulates all casino licensees. The IGC is responsible for insuring that the daily payment of the riverboat admissions and wagering taxes to the state is correct. The IGC also oversees all promotional activity by the riverboats, reviews all patron complaints, enforces occupational licensing requirements, and monitors legislation which may impact the regulation of riverboat gambling. Comprehensive law enforcement supervision within the casinos is provided by the Gaming Enforcement Division of the **Indiana State Police**.

The **Indiana Horse Racing Commission (HRC)** regulates and supervises its licensees to ensure that all races are honest, competitive contests, free from manipulation by people or drugs. The Commission's drug detection program is one of the nation's most comprehensive, and its laboratory is one of the most respected in the racing industry.

The **Indiana Department of Revenue's** Criminal Investigation Division is responsible for finding irregularities and/or violations of statutes in the conducting of charity gambling events. Violations can result in written citations, fines, and/or the revocation of licenses.

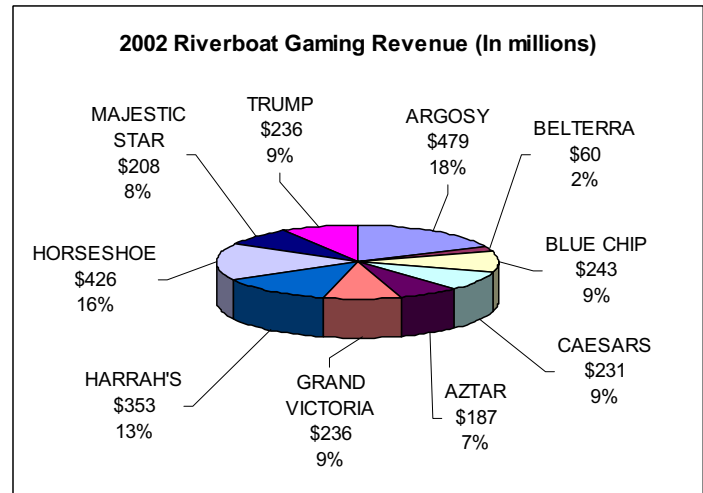
External Factors

To date, the casino industry has grossed more \$2.2 billion in revenues. Recent statutory changes, including the advent of 24-hour gaming, flexible scheduling, a voluntary self-exclusion program, and the authorization of a casino in Orange County, are certain to result in more admissions and increased revenue. Indiana Casinos are in competition with the gambling industries of neighboring states, and changes in the economy cause casinos to seek financing when favorable rates are available. These activities all require IGC review and approval.

The pari-mutuel horse racing industry has demonstrated continual growth since Hoosier Park opened in 1994. The number of race days has increased from 54 in 1994 to 250 in 2003. This indicates an increase in both the supply of race horses and the demand for race meet days. The opening of Indiana's second pari-mutuel track, Indiana Downs in Shelby County in December 2002, required the HRC to double its on-site staff.

Evaluation and Accomplishments

As of June 30, 2003, IGC's Audit Division had identified adjustments to revenue totaling \$33,848,821. These adjustments resulted in additional taxes and fines totaling \$8,331,717. The IGC has initiated an innovative financial set-aside program for riverboats that fail to meet minority and women-owned business goals. Approximately 120 positions have been added to the roster of the Indiana State Police for Gaming Enforcement, resulting in less criminal activity in the vicinity of the riverboats than projected, a safe gaming environment, and a strong regulatory presence.



The construction of Hoosier Park has brought \$50,810,409 in total output or sales, \$18,469,269 in personal income, and 672 jobs. Numbers are not yet available for Indiana Downs. The HRC's Breed Development programs have resulting in nearly \$5,000,000 in purses each year and premium prices for Indiana Sired yearlings at the Indiana sales.



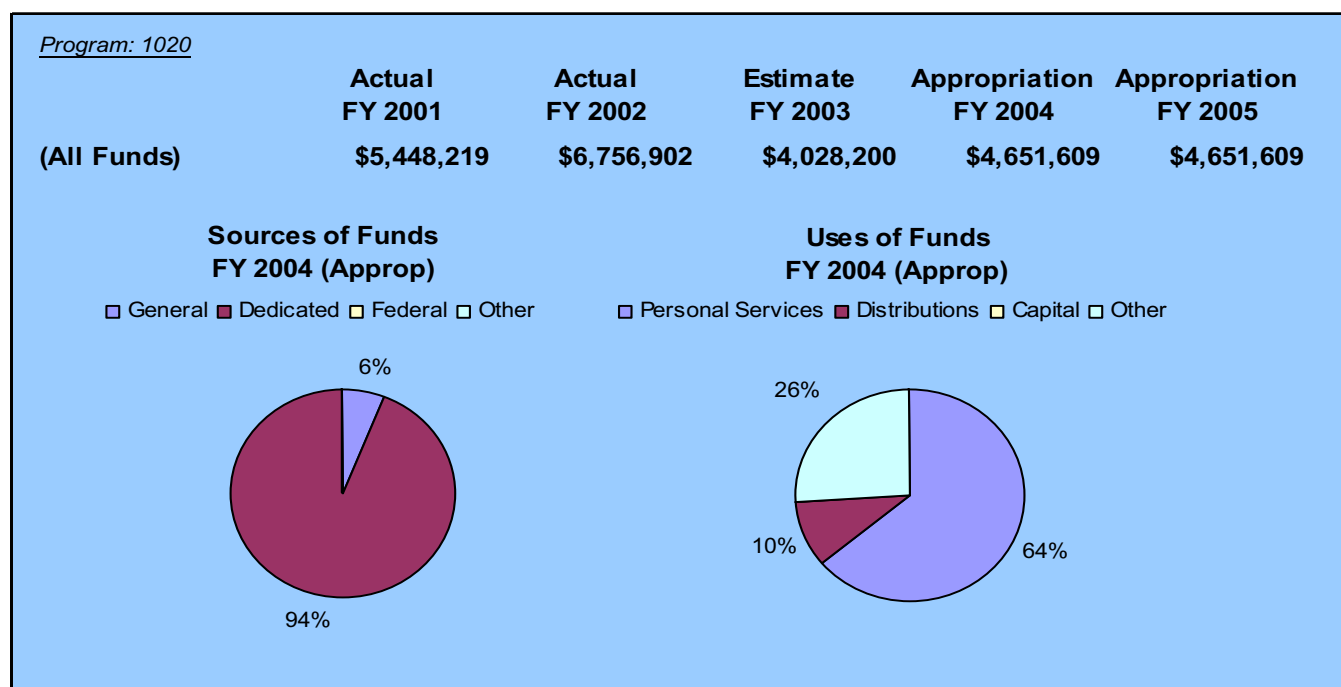
Hoosier Park in Anderson, Indiana

Plans for the Biennium

The Indiana Gaming Commission has identified four primary objectives for the next biennium:

- 1) Activities associated with P.L. 92-2003, which allows a casino to operate in Orange County, contingent upon passage of a local referendum.
- 2) Establishing the problem gaming program mandated by P.L. 143-2003, including the development of a database and related technical support.
- 3) Continuation of statutory license renewals, including complete reinvestigation of those casinos reaching their 8th year of operation in Indiana.
- 4) Address ever-changing gaming technology through review and study of new systems and implementation of necessary improvements to current computerized regulatory programs.
- 5) Minimizing staff increases in the face of increased responsibilities and work load.

The Indiana Horse Racing Commission has received applications for two additional Off-Track Betting parlors (OTB) and expects to receive more in the near future. A total of four additional OTB licenses may be granted under current statute.



Property Tax Reduction

Property Tax Replacement

Owners of real property and certain tangible personal property located in Indiana are required to pay property taxes based on the assessed value of the property owned.

Prior to HEA 1001-2002ss, the State paid a Property Tax Replacement Credit to local units in an amount equal to 20% of its qualifying tax levy. In addition to the Property Tax Replacement Credit, the State also paid a Homestead Credit equal to 10% of the taxes owed on an individual's principal place of residence.

HEA 1001-2002ss modified the calculation of the State Property Tax Replacement Credit and increased the amount paid to local units. The Property Tax Replacement Credit is now payable on 20% of the unit's qualifying tax levy attributable to real property and non-business personal property and 60% of a school's general fund levy. The State Homestead Credit was also increased to 20% of the net taxes owed on an individual's principal place of residence.

Funds used for property tax replacement consist of revenues generated from the sales tax, individual income tax, and the riverboat wagering tax.

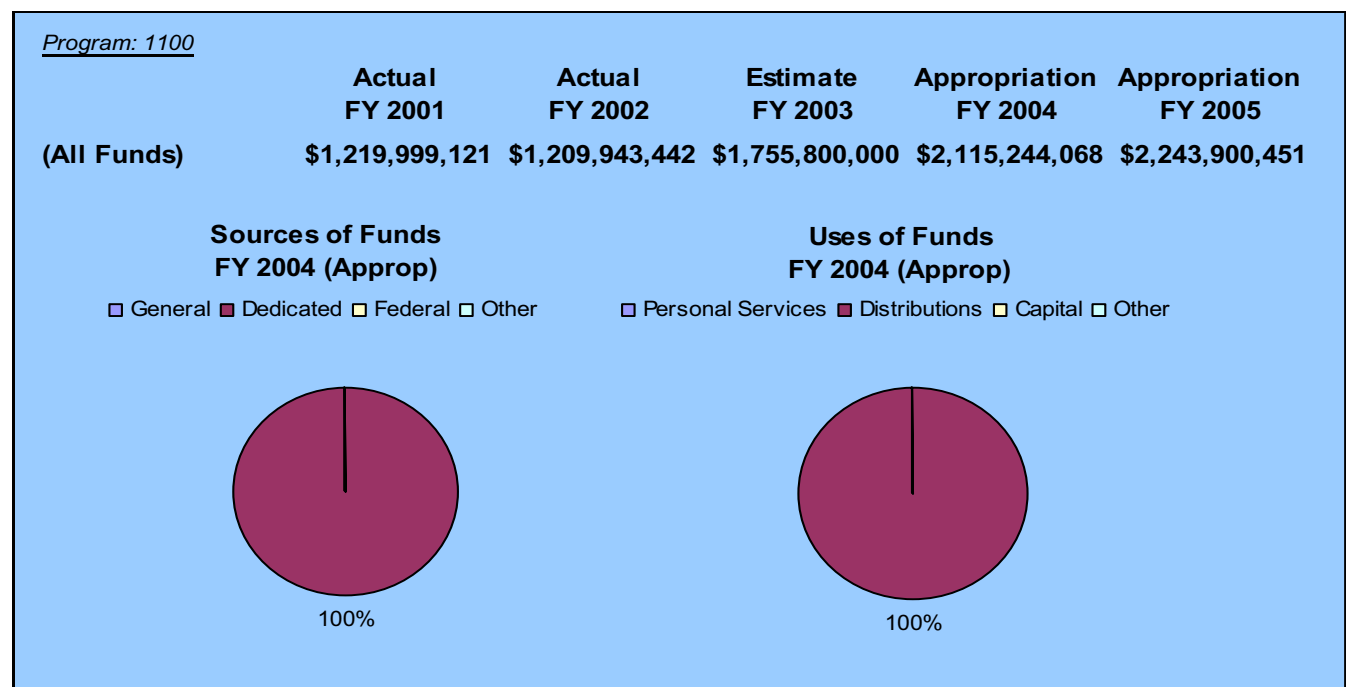
Personal Property Tax Replacement

Owners of real property and certain tangible personal property located in Indiana are required to pay property taxes based on the assessed value of the property owned.

Prior to HEA 1001-2002ss, the State paid a personal property tax credit equal to the net tax liability generated from the first \$12,500 of assessed value of a taxpayer's tangible personal property. HEA 1001-2002ss restructured Indiana's tax system and eliminated the personal property tax credit while increasing the State Property Tax Replacement Credit and the State Homestead Credit.

Welfare Property Tax Replacement

Prior to January 1, 2000, counties imposed property tax levies to fund welfare programs and services through the County Welfare Fund and the County Welfare Administration Fund. As of January 1, 2000, the State began to reimburse counties for expenditures related to the funding of welfare programs and services, because counties were prohibited from imposing property taxes to fund these items.



Excise Tax Distributions

Motor Vehicle Excise Tax Replacement

Individuals or other entities owning passenger cars, motorcycles, or trucks with a declared gross weight of 11,000 pounds or less are required to pay the motor vehicle excise tax on each vehicle owned. The tax paid on each vehicle is based on the age and value of the vehicle, and it is in lieu of personal property taxes that the vehicle would otherwise be subjected to.

Beginning in 1996, most of the excise tax rates were reduced by up to 50% of their prior level. The State reimburses local units of government for a portion of the revenue that was lost due to the decrease in the excise tax rates. The reimbursement to local units is based on a statutory formula and total payments to all local units may not exceed \$236,212,440 in any year.

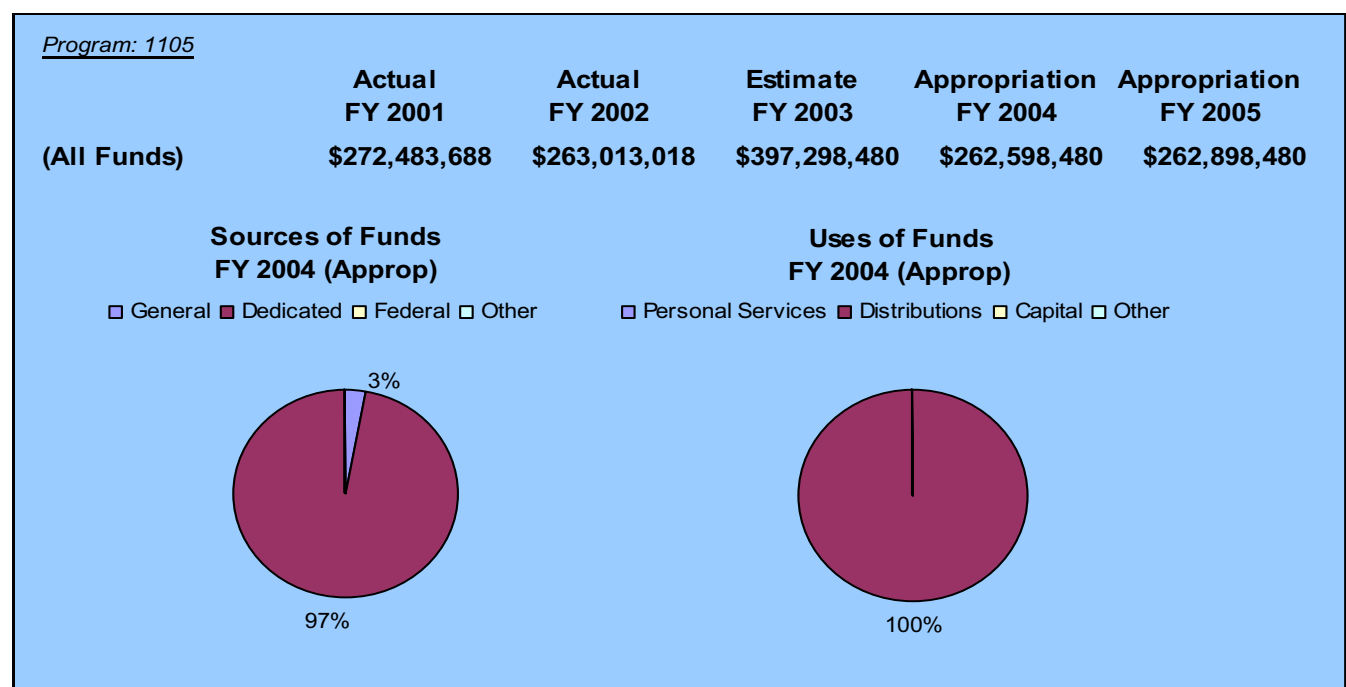
Funds used for motor vehicle excise tax replacement consist of monies transferred from the Lottery & Gaming Surplus Account and the State General Fund.

Alcohol Beverage Gallonage Tax

Alcohol wholesalers, wineries, and dealers pay a state tax based on the number of gallons of beer, flavored malt, liquor, wine, mixed beverages, liquid malt, or wort sold. Each year, there is approximately 246 million gallons of beer sold in Indiana, 7.5 million gallons of liquor, and 7.8 million gallons of wine. The revenue collected is distributed to the state General Fund, the Post War Construction Fund, the Dept. of Revenue Collection and Enforcement Fund, the Pension Relief Fund, the Addiction Services Fund, and the Wine and Grape Market Development Fund. One half of the tax revenue that is distributed to the state General Fund is allocated to cities and towns.

Cigarette and Tobacco Products Tax

Cigarette and tobacco product distributors in Indiana are required to purchase tax stamps for their products. In FY03, \$352.4 million was collected. The revenue from these stamps is distributed to the Cigarette Tax Fund, the Mental Health Centers Fund, the state General Fund, and the Pension Relief Fund. Two-thirds of the distribution to the Cigarette Tax Fund is allocated to cities and towns.



Financial Reserves

Mission

To provide financial security and to pay for State expenditures that are difficult to predict or estimate.

Summary of Activities

The State Budget Agency (SBA) manages three contingency funds that are designed to provide a safety net for unpredictable state expenditures, provide for salary and fringe benefit increases for state employees and fund enrolled acts passed by the General Assembly. The three funds are the Departmental and Institutional Emergency Contingency Fund, the Personal Services/Fringe Benefits Contingency Fund, and the Outside Bill Contingency Fund.

Funds from the Departmental and Institutional Emergency Fund may be allotted to state agencies, departments and institutions that demonstrate additional funds are needed for meeting necessary expenses due to unforeseen circumstances. These funds are transferred only upon approval by the governor.

Money in the Personal Services/Fringe Benefits Contingency Fund may only be used for salary increases, fringe benefit increases, and for an employee leave conversion program for State employees. This fund is used to pay for increases in the compensation and benefit programs of General Fund state employees. The funds may not be used for any other purposes. The funds will only be allotted with approval of the Governor.

The Outside bill Contingency Fund is used to fund bills passed by the General Assembly that impact the General Fund by increasing the expenditures of the State.

Evaluation and Accomplishments

Even in these tough financial times, the money in these funds allowed the State to accomplish the following actions.

- Continue to pay a substantial share of the cost of the State employees' health insurance programs.
- Provide a \$1,094 Health Care Adjustment to all State employees' annual salary to pay for the increased cost of health care in 2003.
- Provide a general salary adjustment to all state employees effective January, 2004.

